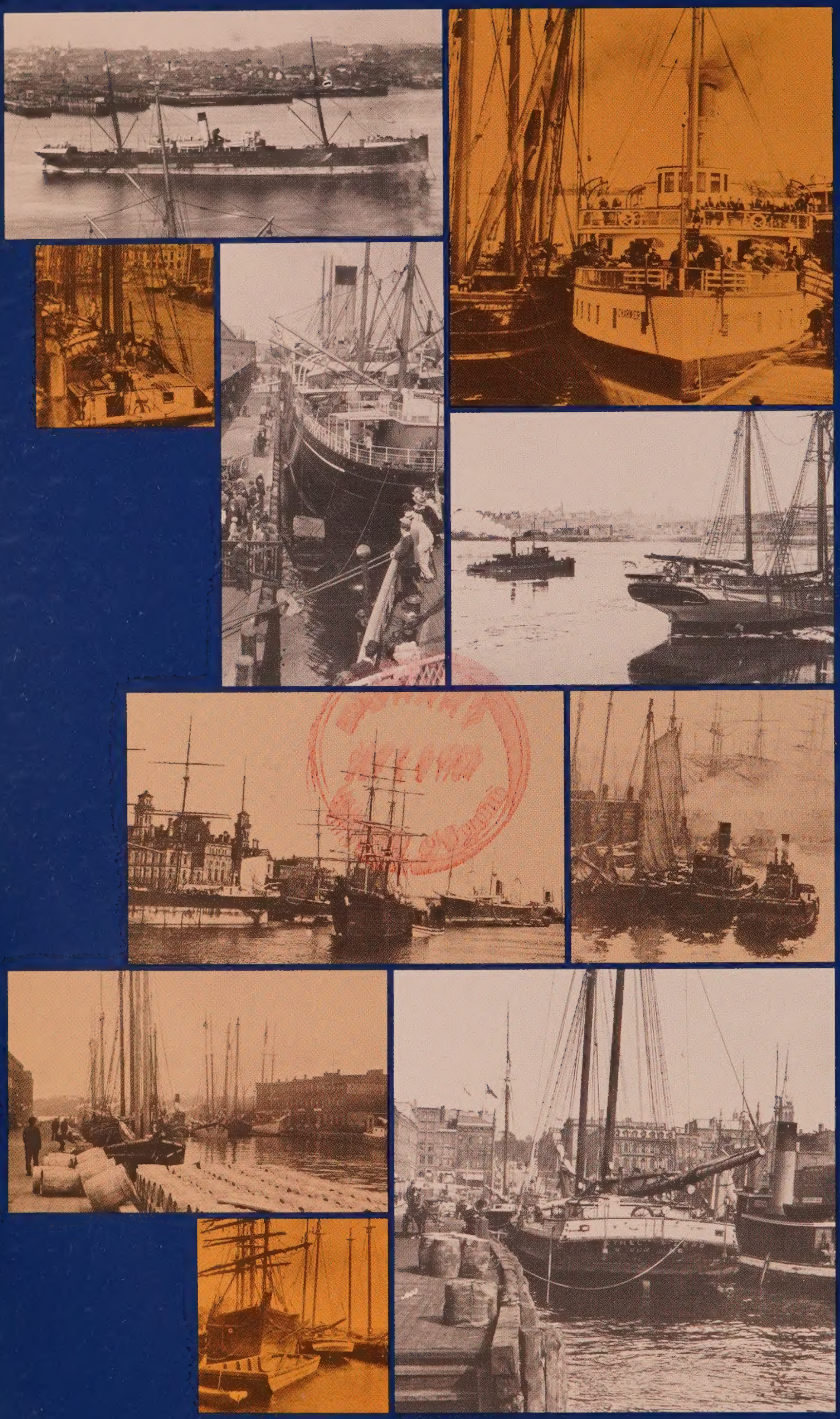
Ports Canada

Report to the Minister 1983

Canada

Ports Canada Profile



"Ports Canada" describes a federal system of 15 ports* administered pursuant to the Canada Ports Corporation Act, proclaimed in February 1983, establishing the Canada Ports Corporation and providing for the further establishment of local port corporations. On July 1, 1983, the Ports of Vancouver and Montréal were granted local port corporation status.

With assets of $865.8 million, Ports Canada handles nearly half of all Canadian waterborne cargo. Included in those assets is Ports Canada's investment in Ridley Terminals Inc., a corporation jointly owned with Federal Commerce and Navigation Ltd., established to build and operate a world-scale coal terminal facility at the Port of Prince Rupert, B.C.

The provision of an efficient national port system to facilitate Canada's trade objectives is Port Canada's principal business. It is based on the concept of responsible management within a private-sector discipline, and a high degree of autonomy in the administration of ports within this system.

Overall, it is the continuing view of Ports Canada management that success under our new mandate is best achieved by providing responsive and competitive services to ensure the efficient movement of our domestic and international commerce.

*Belledune, N.B.; Chicoutimi/Baie des Ha!Ha!, Québec; Churchill, Manitoba; Halifax, Nova Scotia; Montréal, Québec; Port Colborne, Ontario; Prescott, Ontario; Prince Rupert, B.C.; Québec, Québec; Saint John, N.B.; St. John's, Nfld.; Sept-Iles, Québec; Trois-Rivières, Québec; Vancouver, B.C.

Ce rapport annuel est aussi disponible en français.

Letter to the Minister

The Honourable Lloyd Axworthy
Minister of Transport
Ottawa

Dear Mr. Minister:

In accordance with Section 32(6) of the Canada Ports Corporation Act, I am pleased to submit the first Report to the Minister, including the Annual Reports of the Canada Ports Corporation, the Montréal Port Corporation and the Vancouver Port Corporation.

During this first year under a new mandate, our efforts to strive for efficiency in order to attract a larger volume of business through our ports have contributed to the healthy financial condition of Ports Canada as evidenced in this report. These positive results are due in great measure to the dedication of our employees, the support of our customers, and the excellent co-operation of the Canadian shipping community.

We look forward to the future with great confidence in Canada's economic vitality, possessing the resources necessary for the growth of our port system to meet future demands.

This report is accompanied by assurance of full co-operation, and our appreciation for your continuous support of our activities in aid of Canada's commercial trade goals.

Sincerely,

Glenn W. McPherson

Ports Canada Highlights

	1983	1982 (restated)
	(in thousands, except for number of employees)	
Financial results		
Revenue from operations	**$202,239**	$191,351
Net income	**34,956**	57,503
Funds provided by operations	**67,978**	75,714
Financial position at year end		
Working capital	**$160,097**	$145,824
Total assets	**865,797**	814,293
Long term liabilities	**592,916***	577,731*
Capital expenditures	**$ 74,611**	$125,563
Traffic (in metric tonnes)	**143,884**	137,031
Employees		
Average number of employees	**1,695**	1,760

*Of the total long-term liabilities, $514,682,000 are loans from Canada (1982 — $506,914,000). Included in this balance are non-interest bearing loans with indefinite due dates amounting to $317,739,000 and accrued interest not due amounting to $154,462,000.

Auditor's Report on Combined Financial Highlights

The combined highlights of Canada Ports Corporation and the local port corporations for the year ended December 31, 1983, with the exception of the traffic and employee statistics, have been extracted from the audited financial statements of Canada Ports Corporation which were reported on by me and from the Montréal Port Corporation and the Vancouver Port Corporation which were reported on by other auditors. In my opinion, the combined financial highlights have been properly prepared from the information contained in the respective audited financial statements.

Walter Dubowec

Winnipeg, Manitoba
March 15, 1984

Walter Dubowec, F.C.A.
of Touche Ross & Co.

Ports Canada Overview*

Financial

Net Income
For the fourth consecutive year, Ports Canada recorded positive results. Net income was $35 million in 1983 ($46.8 million before an unusual item), increasing the self-reliance of individual ports with regard to their financial needs.

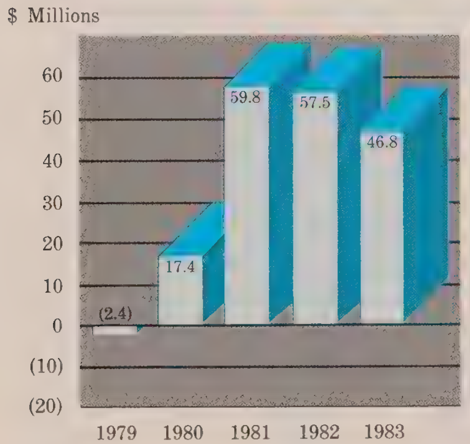
Revenue from Operations
Operating revenues increased $10.9 million, or 5.7%, to $202.2 million. Contributing to this increase were expanded activities at several ports, and revisions to tariffs and rental agreements effected within the federal government's 6 and 5 program.

Operating Expenses
Operating expenses reached $182.0 million. Aside from inflation, major cost components increased through the coming on-stream of new facilities and the expansion of existing operations. A general restraint program contributed to containing costs at acceptable levels.

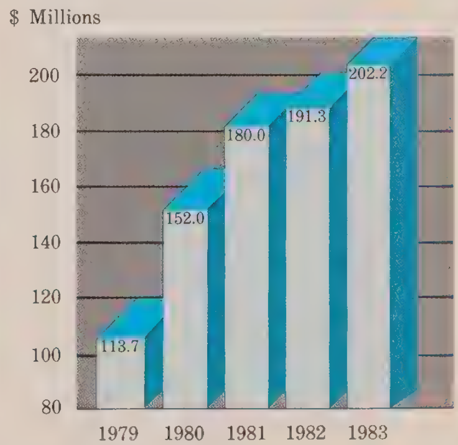
Investment Income
Sound cash-management practices and a widening investment base maintained investment income at $26.6 million, despite the general decline in interest rates from their 1982 levels. Funds generated in this manner are slated for future capital projects and other needs of the Corporation.

Capital Expenditures
During the year, Ports Canada invested $74.6 million in capital expenditures; major capital projects have been described elsewhere in this report. These increases to the fixed asset base were funded by $43.7 million in working capital, $7.1 million in loans and $23.8 million in federal grants. These additions raised total assets to $865.8 million, or 6.3% over the 1982 level. Reflected in these assets is the equity investment of $19.3 million in Ridley Terminals Inc.

Net Income (Loss) Before Special and Extraordinary Items



Operating Revenue



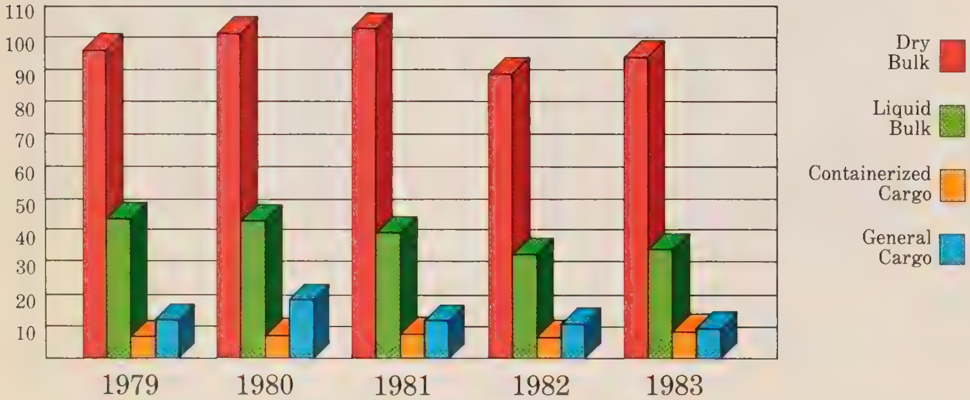
* Includes combined financial and operating performance of the 15 ports of Ports Canada; to be read in conjunction with the Annual Reports of the Canada Ports Corporation, the Vancouver Port Corporation and the Montréal Port Corporation.

Operations

Total traffic
Total traffic of Ports Canada ports in 1983 rose slightly from 1982 to 143.9 million tonnes, but was still below the historical record of 163 million tonnes achieved in 1980. Part of this recovery took place in the second and third quarters of 1983, suggesting further overall traffic increases in 1984, when traffic is expected to reach 150 million tonnes. The introduction of new coal and potash port facilities should contribute to this increase, as well as strong anticipated growth of containerized traffic, and, to a lesser extent, of forest products exports.

Last five years
As the accompanying graph indicates, the port traffic patterns of the last five years are representative of the economy and of Canadian trade in general. On one hand, the downward traffic trend since 1980 and the recovery of 1983 reflect the Canadian and world recession and the start of the post-recessionary period. The gradual decline of the liquid bulk traffic, comprised essentially of petroleum and petroleum products, parallels the overall reduction in hydrocarbon trade and in energy consumption in Canada.

Ports Canada Total (million tonnes)



On the other hand, port traffic is also representative of Canadian overseas waterborne trade in its marked dependence on Canada's natural resources: grain, coal, iron ore, potash, sulphur — the ports' bulk traffic. Containerized cargo, indicative of Canada's semi-processed and manufactured exports and imports, showed modest but constant growth over the last five years, except in 1982. Conversely, the downward trend in general cargo is accounted for in part by the trend toward the containerization of some of these cargoes, as well as general economic conditions.

Ports Canada ports have also maintained their predominant position in Canadian waterborne trade, accounting for approximately 45% of Canada's total waterborne trade and over 55% of our international seaborne trade by volume.

Passengers
Our ports play an important role in the passenger trade as well. The number of paying passengers on vessels calling at Ports Canada ports reached 245,000 in 1983, or 2.5% more than in 1982.

Our ports handle anywhere from 60% to virtually all of the Canadian trade in the following selected commodities.

Grain
Canadian grain exports have surpassed forecast. Elevators in Ports Canada ports handled more than 70% of total Canadian grain and oilseed exports. Grain traffic through our ports has grown by nearly 50% from 1979 to 1983.

Although world demand for grain is expected to vary considerably by market area, it is nevertheless quite likely to show overall steady growth in future years. Elevators in our ports are expected to maintain or improve their market share due, among other things, to the positive consequences of the Western Grain Transportation Act and to the continued provision and operation of efficient grain terminals in the ports.

Coal
Although 65% of Canada's coal production of some 45 million tonnes is thermal coal, our exports are mostly metallurgical coal and are shipped predominantly via West Coast ports and terminals. Exports are thus linked to the steel industry and the demands of a limited number of prime clients in the Pacific rim and Western Europe. Transshipments of U.S. thermal coal via St. Lawrence ports declined sharply. Whereas longer range prospects for coal exports remain promising, short-term fluctuations can be expected.

The Port of Vancouver accounted for more than 90% of all Canadian coal exports, and the leading role of West Coast ports should be maintained as the Port of Prince Rupert's Ridley Island terminal becomes operative in 1984.

Iron
Canadian iron ore shipments to overseas and U.S. markets have declined sharply in recent years due to the impact of the recession on the steel industry and the over-supply of iron ore on a world scale. Ports Canada traffic has declined accordingly. It should be noted, however, that much of this traffic is handled at private facilities within some of our ports. The short-term future remains uncertain despite a recovery in the steel industry and the fact that iron ore is still in an over-supply situation on a world scale.

Sulphur
Ports Canada, and the Port of Vancouver specifically, handled virtually all waterborne Canadian exports of sulphur. Pacific rim countries and Western Europe are our major markets, and demand for our waterborne exports is expected to remain stable in the short term. Canada accounts for nearly half the world's waterborne sulphur trade.

Potash
Canada is the world's largest exporter of potash and the potential demand for potash is strong. Traditionally, 65% of Saskatchewan potash went to the U.S., whereas overseas exports, mainly to China, Brazil, India and Japan, were shipped from Vancouver. New mines have opened in New Brunswick, and Ports Canada will handle the resulting waterborne shipments from the Port of Saint John.

Pulp and Paper
Canada is the world's largest exporter of pulp and paper, accounting for over 30% of the world's trade. We export nearly 80% of our production, of which more than half is destined for U.S. markets and is essentially transported by road and rail. More than half of Canada's total waterborne exports of some seven million tonnes is shipped via Ports Canada ports to anumber of markets, including European countries, Japan and China.

Canada is also the world's largest exporter of softwood lumber, accounting for over 40% of the world's trade. We export about 70% of our production, of which more than half, as in the case of pulp and paper, is destined for U.S. markets and is here again essentially transported by road and rail. More than two-thirds of Canada's total waterborne exports of nearly five million tonnes is shipped via Ports Canada ports, mostly to European countries and Japan. Shipments respond quickly to changes in economic activity and as such, vary according to national and international economic factors. As the short-term recovery is expected to continue, we anticipate modest growth of such exports.

Containers
Containerized cargo tends to be of high value but of low weight. Thus, tonnage is an inaccurate representation of the true importance of such trade to Canada. The Ports of Montréal, Halifax, Vancouver and Saint John are the major Canadian ports equipped with modern container facilities, and handle virtually all Canada's waterborne containerized trade. The Port of St. John's, Newfoundland, receives and ships containers predominantly on domestic trade routes.

The containerized trade is characterized by intense Canadian/U.S. competition, by rapid technological change, and by a fast-evolving regulatory and institutional environment.

While the variety and diversity of forces at work make forecasting difficult, we nevertheless expect the containerized trade to reflect

Canada's economic patterns and those of our trading partners. We thus foresee that in this recovery period, containerized trade will exceed the overall growth rate of the Canadian economy.

Vessel arrivals
As indicated on the accompanying diagram, (Total Ports Canada Vessel Arrivals), vessel arrivals at our ports have decreased by 20% from 1979 to 1983. Although some of this decline is related to trade fluctuations, the explanation lies mostly in the fact that vessels, particularly ocean-going vessels employed in the bulk trades, have become larger. Increasing vessel size can also be observed in certain container trades and even for specific general cargo shipments.

If our ports are to continue their success in support of this nation's commerce, important challenges present themselves in the years ahead. A high level of worldwide competition for Canada's traditional exports, new technology, changing demand patterns and volatile commodity markets are some of the issues and events that call for constant innovation, responsiveness and reassessment of our services.

Total Ports Canada (coastal & foreign vessels)

Vessel Arrivals

	1979	1980	1981	1982	1983
St. John's	1,984	1,747	1,649	1,519	1,292
Halifax	2,305	2,389	2,327	2,120	2,422
Saint John	1,769	1,839	1,833	1,701	1,639
Belledune	51	48	39	47	39
Sept-Iles	1,350	1,088	1,086	682	741
Chicoutimi	219	223	217	177	190
Baie des Ha! Ha!	230	290	278	266	257
Québec	1,718	1,822	1,663	1,621	1,385
Trois-Rivières	546	685	506	486	424
Montréal	4,306	4,479	3,753	3,266	2,832
Prescott	87	53	61	50	35
Port Colborne	17	31	30	20	14
Churchill	36	25	35	37	64
Vancouver	19,085	19,182	17,079	15,790	15,342
Prince Rupert	1,740	2,068	2,169	1,767	1,762
Total	35,443	35,969	32,725	29,549	28,438

Human Resources

In 1983, the Corporation concentrated its efforts on improving the efficiency and effectiveness of the national port system by developing improved organizational structures and relationships compatible with the spirit and intent of the Canada Ports Corporation Act.

The average number of employees decreased by 3.7% to 1,695, this year. With the establishment of local port corporations, special emphasis has been placed upon the provision of assistance to the ports, especially during the transition period.

New or revised policies and guidelines were introduced in the areas of training and development, harassment in the workplace and employment of the handicapped. The Corporation is also currently reviewing its guidelines on official languages in an effort to further improve an already enviable record of achievements in that area, as evidenced by the favourable comments of the Commissioner of Official Languages in his 1983 Annual Report.

Canada Ports Corporation is continuing to research and develop a modernized classification and salary administration program for its management staff in order to continue to attract and retain a high-quality and highly productive workforce. The new programs are slated for implementation by mid-1984.

As part of its efforts for continued improvement in productivity, communications and service, the Corporation sponsored a number of national forums, including seminars for senior management staff, and several training and development courses for employees at all levels.

Port general managers and their divisional staffs increased the frequency and scope of their national meetings in the spirit of continued co-operation and coordination in a newly decentralized organizational context, and to better plan the changes being effected during the transitional period. In a spirit of improved communications between all components of Ports Canada, the first issue of the "Ports Canada Newsletter" was launched in December, 1983.

Ports Canada Five Year Review

	1983	1982	1981	1980	1979
		(restated)			
	(in millions except for vessel arrivals, ratios and number of employees)				
Financial results					
Revenue from operations	**$202.2**	$191.4	$183.9	$152.0	$113.7
Operating expenses	**182.0**	165.4	152.5	153.7	129.8
Operating income (loss)	**20.2**	26.0	31.4	(1.7)	(16.1)
Investment income	**26.6**	31.6	28.4	19.1	13.7
Net income (loss)	**35.0**	57.5	59.8	17.4	(2.4)
Funds provided by operations	**68.0**	75.7	71.5	57.3	28.2
Financial position at year end					
Working capital	**$160.1**	$145.8	$107.3	$161.1	$117.0
Fixed assets — at cost	**892.9**	850.6	752.4	715.3	685.9
Total assets	**865.8**	814.3	681.3	620.1	568.8
Equity of Canada	**218.8**	183.9	106.3	46.5	30.6
Capital expenditures	**$ 74.6**	$125.6	$ 65.0	$ 37.9	$ 58.1
Traffic (in metric tonnes)					
Grain	**31.7**	30.6	27.0	29.2	21.4
Bulk other than grain	**94.7**	88.9	114.2	113.7	117.0
Container	**7.6**	6.9	7.5	7.2	7.1
Other general cargo	**9.9**	10.6	11.8	12.9	12.0
Total	**143.9**	137.0	160.5	163.0	157.5
Vessel arrivals	**28,438**	29,550	33,031	35,854	35,438
Employees					
Average number of employees	**1,695**	1,760	1,766	1,777	1,865
Ratios					
Operating revenue/tonne	**$1.41**	$1.40	$1.13	$0.93	$0.72
Tonnes/employee	**84,897**	77,841	90,883	91,728	84,450

Canada Ports Corporation
Société canadienne des ports

Annual Report 1983

Canada

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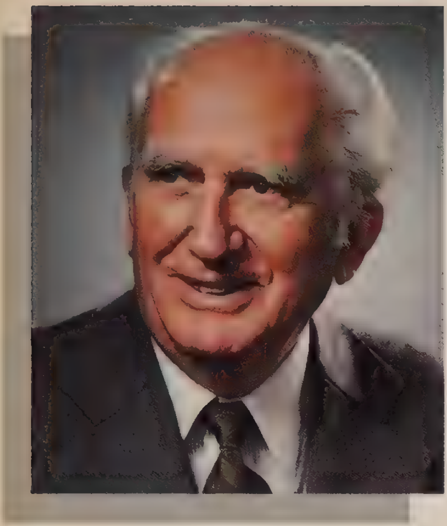
Message from the Chairman of the Board



I am particularly proud of the enormous progress the Canada Ports Corporation achieved during its first year of operations. Throughout 1983, the Board of Directors addressed major issues which evolved as a consequence of the Canada Ports Corporation Act. In broad terms, these involved an assessment of our status as a new Crown corporation, and the implementation of the objectives of this legislation.

Such an undertaking meant a fundamental reorganization of what is now the Canada Ports Corporation. It included establishing components essential to the conduct of business, and the clarification of both internal and external relationships. In addition, the Board immediately committed itself to policies which would attain the objectives set out in the legislation.

One of the highlights of our first year is the move toward greater port autonomy. As a result, the Ports of Montréal and Vancouver were the first to obtain local port corporation status on July 1, 1983. A decision was also made to establish similar status for the Ports of Halifax, Québec and Prince Rupert; I foresee the establishment of local port corporations at each of these ports in 1984.

Other ports may be given local port corporation status, or be managed under a divisional concept. The Act provides for the establishment of local advisory committees, representing local interests, to advise the Corporation on the planning and operation of these divisional ports.

It is essential that our ports play an active role in Canada's international commerce. In order to provide efficient, competitive facilities, the Board also approved major projects in the Corporation's business plans and capital and operating budgets. In 1983, the Corporation spent $54.6 million in new capital expenditures and approved a six-year plan, including projected capital expenditures of over $240 million.

This was a profitable, active and complex year, and the Canada Ports Corporation met challenges posed by major changes in all facets of our policies and corporate endeavours. We would not have achieved our present level of success without the continued personal interest and support of the Minister of Transport, to whom, on behalf of the Board of Directors, I wish to extend our sincere appreciation.

We mourn the passing on September 11, 1983, of Mr. A.C. Huxtable, the Vice-Chairman of the Board of Directors. From the Corporation's inception in February of this year, the Board profited enormously from Mr. Huxtable's patience and constant energy. We will also miss the substantial contributions of Mr. Alastair Allan, the former Marine Administrator (Transport Canada), and a member of our Board until his resignation on September 26, 1983.

The Board itself has worked diligently throughout this first, formative year. To its members, and to the President, Mr. Jacques Auger, I am indebted for their guidance, dedication and support.

Finally, the staff, both at the National Office and throughout our 15 ports across Canada, merit a special place in this Annual Report. I am confident that their co-operative efforts will be our assurance of continued success in carrying out the objectives of the Canada Ports Corporation Act in support of Canada's trade objectives in the years ahead.

Glenn W. McPherson

Message from the President and Chief Executive Officer

Canadians are aware as never before of Canada's position as a major trading partner in the international community, and of the central importance of trade to the Canadian economy. One in every five jobs in Canada is linked to export trade, which itself accounts for close to 30% of Canada's gross national product.

It is from this background that the significance of the Canada Ports Corporation Act emerges. The legislation is clear in setting forth our primary goal: to provide an efficient system of ports in aid of Canada's trade objectives. Canada Ports Corporation thus becomes a vital component of Canadian economic activity in serving the trading needs of the nation.

Economic fluctuations notwithstanding, Canada's trade requirements are marked by at least two characteristics to which the Corporation must be continuously responsive. The volume of trade through our port system has historically been characterized by overall growth. However, significant fluctuations have been recorded in the past, particularly in the last few years, reflecting structural and overall Canadian and world economic conditions. Nevertheless, indications are that the renewed growth witnessed in 1983 will continue, at least in the short term. The Canada Ports Corporation must be responsive to the new needs generated by this growth, and accordingly, must plan new facilities to support Canada's expanding trade. To this end, we intend to invest a total of $240 million in capital projects over the next six years. We are also currently examining our present range of services in order to evaluate the need for change, improvement and innovation dictated by the changing nature of world trade and the objectives of our Corporation.

The second characteristic of trade movement is an increasing specialization of surface and ocean-going carriers. Larger, more sophisticated ships have an appreciable impact on shipping patterns, which in turn, directly influence the number and location of ports served by shipping interests throughout the world. These new, efficient and very expensive vessels must operate continuously; they cannot remain idle at an inefficient port facility. The Corporation must, therefore, respond to the demand for modern, competitive port facilities to accommodate these specialized requirements.

A similar evolution has occurred in the surface transportation system where, once again, Canada Ports Corporation continued to support the efforts of the railway and trucking industries in their endeavours to be more efficient and competitive.

In a very real sense, the Corporation finds itself at the crossroads of international and domestic commercial exchange. Our ability to recognize the elements affecting this trade environment is crucial to the provision of improved services. This is an exciting challenge, for it is a complex environment to master and certainly a very difficult one to predict. In this respect, our corporate planning system allows us to develop the services and facilities Canada needs to be successful and competitive in world trade.

To better serve Canada's trading needs, the Corporation must generate sufficient funds to construct and maintain facilities for continued port operations. This financial self-sufficiency over the long term requires a business-like discipline in the control of costs and the selection and implementation of appropriate expansion programs.

In 1983, the Canada Ports Corporation continued its pursuit of efficiency and high productivity, and achieved enviable results in terms of industry standards. In fact, the Canada Ports Corporation showed a net income in 1983 of $16.1 million, or $27.9 million prior to an unusual item. Total inflows of funds amounted to $80.8 million in the same period of which $71.5 million were used to finance investments and projects of the Corporation. The net surplus amount of $9.3 million was added to funds previously generated, all of which were earmarked to provide resources for fulfillment of the Corporation's future capital and operating needs.

The Canada Ports Corporation has an equity investment in Ridley Terminals Inc. (RTI), a corporation formed to construct and operate the Ridley Island coal terminal at Prince Rupert, B.C. The rail delivery of the first coal to the terminal occurred in November 1983, and the loading of the first coal shipment onto a vessel in January, 1984, marked the culmination of our two-year involvement in the infrastructure necessary for the development of the massive northeast British Columbia coal project. I look forward to the future of this partnership between Ports Canada and Federal Commerce and Navigation Ltd., a major Canadian shipowning company.

In our experience, partnerships with the private sector have been an effective way to stimulate and share the economic benefits of port business. We have encouraged private sector participation at several ports, referred to more specifically in the Report on Operations. We consider such relationships mutually beneficial, combining the best resources and experience of both the private and public sectors.

Setting aside these specific business matters for a moment, a significant change in the public perception of the Canada Ports Corporation is inevitable as our role in supporting Canadian trade grows. As a Crown corporation, we take seriously our mandate to establish the Corporation as a responsible corporate citizen of this country; to tell Canadians who we are and what we do, and to provide clear, accessible information and service to the public in both official languages.

To increase public awareness, we are considering a number of corporate identity initiatives. The "Ports Canada World Cup" will be presented to the winners of the Tall Ships race between Sydney, Nova Scotia and Liverpool, England, beginning on July 11, 1984. To further improve the seamanship and encourage the training of Sea Cadets, races for this cup will be held somewhere in the world every two years. In 1986, for example, a similar race will terminate in Vancouver as part of the celebrations of Expo '86.

The 1984 festivities marking the arrival of Jacques Cartier in Canada 450 years ago also include a trans-Atlantic race, this time from Québec City to St. Malo, France. We are proud to sponsor one of Canada's entries in this race of high performance, modern sailboats. We will be proud to wish the *Ports Canada* boat safe passage and Godspeed when she leaves Québec City on August 19, 1984.

This last year brought about changes to the Corporation of the order we are not likely to see again, and amid all the activity, we enjoyed the constant support of our own staff. During a time when almost all employees were affected by the reorganization of our internal structures, co-operative efforts increased, production was streamlined, and our managers demonstrated a remarkable adaptability in the Corporation's initial year of operation.

I join the Chairman, Mr. Glenn W. McPherson, in his expression of gratitude to the Minister, and wish to extend my own personal appreciation to the longshoring and marine industry and our port users for their contributions to the success of this eventful year.

Jacques Auger

Report on Operations

Financial

Net income

In line with its objective of financial self-sufficiency, the Corporation achieved another year of positive results in 1983, with a net income of $16.1 million ($27.9 million before an unusual item). These results should be read in conjunction with the financial statements of the Vancouver Port Corporation and the Montréal Port Corporation, which indicate an additional net income of $6.7 million and $12.2 million, respectively, for the six-month period since gaining their local port corporation status on July 1, 1983. Overall results mark the fourth consecutive year of net income.

Revenues from operations

Revenues from operations for the 13 ports that were not local port corporations rose to $60.8 million. The beginning of operations at the Barrack Point Potash Terminal in Saint John and the first full year of successful activity at the Fairview Cove Container Terminal in Halifax were factors in this increase. Also contributing were the revisions to tariffs and rental agreements, effected with the 6 and 5 federal government program.

Operating expenses

Operating expenses at $60.6 million reflect ongoing operations increasing at close to the rate of inflation, as well as expanding operations which attracted additional costs such as interest, depreciation, grants in lieu of municipal taxes and other expenses. Operating expenses also include a provision for two leases presently in dispute in Halifax and Québec. To offset the impact of this increased overhead, a restraint program was successfully applied during 1983. Cost reductions were directed to all areas of overhead, and included a general reorganization of the National Office, where substantial decreases in manpower occurred.

Investment income

Investment income of $12.9 million in 1983 resulted from the Corporation's continuing program of managing cash balances. Again this year, strong, ongoing inflows of funds from operations have enabled the Corporation to enlarge its investment base and to achieve this investment income performance, despite a substantial decline in interest rates from their 1982 levels. This decline led to lower investment income compared to 1982.

Unusual item

As an unusual item, the book value of a pier in the Port of Saint John was written down by $11.8 million to reflect a shortened anticipated economic life. This expense does not require an outlay of funds and hence does not affect the working capital of the Corporation.

Total assets

The reduction in total assets, indicated in the Balance Sheet, reflects the exclusion of the two local port corporations, each of which has a separate financial statement. In the remaining ports, assets totalled $445.8 million at December 31, 1983, an increase of $15.1 million over the previous year. Capital expenditures during the year amounted to $54.6 million.

As at December 31, 1983, the Corporation's total equity funding of Ridley Terminals Inc., was $19.3 million. The Corporation is committed to investing a total of $23 million in this joint undertaking.

Vessel arrivals

Total vessel arrivals in 1983 declined to slightly over 10,000 (from about 12,000 in 1979), reflecting in part the fluctuation of the traffic, but mainly as a result of the trend towards larger vessels, particularly in the ocean-going trades.

Capital investments

To respond to Canada's trade, the Corporation invested $54.6 million in 1983 as part of its planning and implementation of a comprehensive program of modernization and development of its port facilities and services. The Corporation sought and received the contribution of different levels of government, of interest groups and of the port communities in general, particularly in port-related projects and in port master-planning exercises.

The Corporation also sought and received private sector participation in specific port projects.

To illustrate the above, the highlights of each port's business and activities in 1983 follow.

Review of Business

By the end of 1983, the Canada Ports Corporation administered the following ports: Belledune, N.B.; Chicoutimi/Baie des Ha!Ha!, Québec; Churchill, Manitoba; Halifax, Nova Scotia; Port Colborne, Ontario; Prescott, Ontario; Prince Rupert, B.C.; Québec, Québec; Saint John, N.B.; St. John's Nfld.; Sept-Iles, Québec; Trois-Rivières, Québec.

The total harbour traffic of these ports in 1983 was slightly less than 70 million tonnes, which represents a 2.8% increase over 1982. These ports handled the types of traffic representative of the Canadian economy and of our trade. International movements included exports of forest products, iron ore, grain and flour; imports of petroleum; and container imports and exports. Domestic traffic was represented by shipments of grain, petroleum and petroleum products, pulp wood, industrial salt and some community-related general cargo. Some of these ports are specialized in a particular activity or are dominated by a specific industry, which is accordingly reflected in their traffic such as grain, iron ore, or phosphate rock.

The markets of the Corporation's ports are typical of their main commodities and of their geographic location in relation to the origin and destination of the commodities, as well as the specific advantages of their respective sites.

Belledune

The Port of Belledune is located in northeastern New Brunswick and is essentially linked to the fertilizer industry, particularly the import of phosphate rock from the southern U.S. Small quantities of fertilizers and metals are shipped by water. The port also receives petroleum products for local consumption. The port is accessible year-round by water, road and rail.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	419	313	
Major traffic Outward			Destination
Fertilizer	17	15	Ontario
Lead	24	18	
Inward			Origin
Phosphate Rock	229	171	Florida
Petro Products	104	83	coastal
Sulphuric Acid	17	25	coastal
Vessel Arrivals	47	39	
Passengers	—	—	

Chicoutimi/Baie des Ha! Ha!

The Port of Chicoutimi/Baie des Ha! Ha!, located on the Saguenay River, regroups a number of public and private port facilities and wharves. The main traffic of the Port of Chicoutimi itself consisted of domestic inbound movements of petroleum products at the Chicoutimi terminal and at the Pointe à l'Islet facility, and of road salt at Chicoutimi. Export traffic consisted of forest products. The main port facilities of Baie des Ha! Ha! are those owned by Alcan for its imports of alumina, bauxite and coke, and exports of aluminium. The port is also used by a nearby mill for receipt of logs and export of paper.

As part of the federal government's Special Recovery Capital Projects Program (SRCPP), the Corporation began work on the relocation of the Port of Chicoutimi to the Grande Anse site, 15 km downstream. The total cost of the relocation project is $26.6 million, with financing of $22.6 million provided by SRCPP. The move will allow the redevelopment of the downtown area, while providing the region with a modern, deep-water, year-round public port. The project is scheduled to be completed in 1985.

Traffic Highlights (in 000's M.T.)

	1982	**1983**	
Total traffic	4,371	**4,240**	
Major traffic Outward			Destination
Pulp & Paper	135	**174**	S. America N.W. Europe
Aluminium	241	**132**	N.W. Europe,
Inward			Origin
Pulpwood	122	**139**	coastal
Al. Ores	2,596	**2,584**	Africa, Brazil Carrib.
Petro Products	1,067	**599**	Venezuela, coastal
Liq. Chemicals	105	**109**	coastal, Florida
Coke	255	**334**	U.S.
Salt	63	**93**	coastal
Vessel Arrivals	443	**447**	
Passengers	—	—	

Churchill

The Port of Churchill is the Corporation's most northern port, located on the western shore of Hudson Bay. The port's shipping season is limited to 85 days during the months of July to October. It is primarily a cleaning and transfer elevator for western wheat and barley, as well as a supply base for the Keewatin settlements, mostly for petroleum products. To a certain extent the port is dependant on the Canadian Wheat Board as its principal customer and on CN as its sole surface transportation link.

Traffic Highlights (in 000's M.T.)

	1982	**1983**	
Total traffic	587	**641**	
Major traffic Outward			Destination
Grain	507	**621**	Europe
Inward	—	—	
Vessel Arrivals	38	**64**	
Passengers	—	—	

The Corporation has, for several years, planned improvements to the port's facilities. More recently, the Corporation has consulted with the various parties involved in grain transportation through Churchill to determine the port's future. These consultations have led to the approval by the Corporation of capital projects to upgrade the dust control system and to deepen one berth. The total estimated cost of the dust control project is $5.6 million, with engineering and design work scheduled in 1984 and actual fabrication and installation of equipment occurring in 1985 and 1986. The port proposes to dredge the southern 245 meters of the berth to a depth of 11.6 meters and a width of 60 meters, reducing the possibility of vessel grounding and allowing an increase in the tonnage loaded per season. Engineering work will commence in 1984 and the actual dredging will start in 1985, at an estimated cost of $6.1 million.

Halifax

The Port of Halifax is Canada's closest port to the North Atlantic shipping lanes. As such, the port has developed into one of Canada's major container and roll-on/roll-off terminals, serving both Canada and parts of the U.S.A. mostly by rail, truck and vessel feeder service. It is also the main supply centre for the offshore oil and gas industry, as well as a major terminal for grain and flour exports and petroleum products. The latter are handled at private facilities, and represent more than half of total harbour traffic.

The main capital project in 1983 was the continued up-grading of the grain elevator, which should be completed in 1984 at a total cost of $5.1 million. The project involves modernizing the rail receiving facilities, installing dust control and other safety items, and improving the overall operating efficiency of the elevator.

The port is also planning the construction of a second berth at its Fairview Cove Container Terminal to meet the needs of the growing container trades. The estimated cost of the project is $25.2 million; it is expected to begin in 1984 with a target completion date of June, 1986.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	11,199	**12,472**	
Major traffic Outward			Destination
Grain	393	**410**	Europe
Gypsum	2,011	**2,562**	East U.S.
Containers	844	**822**	W. Europe, Far East
Petro Products	1,935	**2,180**	coastal
Flour	178	**182**	Cuba
Inward			Origin
Grain	150	**206**	coastal
Containers	575	**206**	W. Europe, Far East
Petro Products	4,830	**4,931**	S. America, Mexico, coastal
Vessel Arrivals	2,120	**2,422**	
Passengers	12,700	**9,200**	

Port Colborne

Port Colborne is located on the Seaway waterways system and is exclusively used for the overseas export, or transfer to downstream elevators, of Ontario grain. The port is served by rail and road.

Although in operation for many years, it is nevertheless an efficient elevator with higher loading rates than most of the elevators in the area. It does not offer Seaway depth, however, and its proposal to do so is currently under active review. Another project to improve the grain elevator dust control system was started in 1982 and completed in 1983 at a cost of $2.4 million.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	235	**137**	
Major traffic Outward			Destination
Grain	209	**131**	coastal
Inward			Origin
Grain	26	**6**	coastal
Vessel Arrivals	20	**14**	
Passengers	—	—	

Prescott

Prescott is located on the Seaway waterways system and is primarily involved in Ontario and western grain either by water or by rail during the winter months. The port also receives fertilizer and salt for local use and has available land suitable for a variety of port-related purposes.

In 1983, the port completed further improvements to its grain elevator. In order to increase the vessel unloading efficiency, Prescott purchased four loaders and installed tower cranes on the three operational marine towers at a cost of $567,000.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	453	**374**	
Major traffic Outward			Destination
Grain	98	**50**	coastal
Inward			Origin
Grain	194	**177**	coastal
Salt	115	**129**	coastal
Vessel Arrivals	50	**35**	
Passengers	—	—	

Prince Rupert

The Port of Prince Rupert, located some 700 km north of Vancouver, offers main-line CN rail service and deep-water facilities at Prince Rupert itself and at its developing state-of-the-art coal and grain facilities at Ridley Island, where 200,000 dwt-plus bulk carriers can be accommodated at the coal terminal. The port has already witnessed record shipments of forest products and grain at its existing facilities, and prospects are encouraging, based on traffic projections. The port is also used as a stop-over for Alaskan cruise vessels.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	2,414	**3,107**	
Major traffic Outward			Destination
Grain	1,143	**1,664**	most continents
Forest Products	656	**787**	Japan, Europe
Inward			Origin
Sand & Gravel	89	**239**	coastal
Forest Products	21	**14**	U.S. Pacific
Vessel Arrivals	1,767	**1,762**	
Passengers	23,400	**21,800**	

Construction of the $300 million Ridley Island Coal Terminal was nearing completion by the end of 1983. Of that amount, the Corporation is responsible for site preparation and the provision of infrastructure services such as power and water on Ridley Island, at a total cost of $50 million. Funding for this portion of the project is being provided by the Government of Canada. The terminal site has been leased to Ridley Terminals Inc., which was responsible for the construction of the coal terminal. This is another of the Corporation's associations with private sector companies, in this case Federal Commerce and Navigation Ltd. This terminal is part of the $2.3 billion northeast B.C. coal project, Canada's megaproject to develop two major coal mines and upgrade and expand corresponding rail links.

The Corporation is also involved in a major expansion of the West Coast grain export capability at Prince Rupert. Construction of a modern $300 million grain terminal complex by Prince Rupert Grain Ltd., is underway on Ridley Island. The Corporation is directly responsible for the site preparation and the provision of infrastructure services to this terminal. This project component alone represents an investment of over $33 million, with grant funds provided by the Government of Canada. The Province of Alberta is also contributing $5.4 million towards this program.

Québec

The Port of Québec is the farthest in-land, deep-water, year-round port in Canada and indeed, in North America, with more than 15 meters of water at low tide at the Battures de Beauport section of the port. The port is served by both CN and CP. It is a major bulk terminal for the transshipment of grain to overseas markets and for the import of crude oil at the private refinery located across the river from the city. The bulk transshipment function has been further developed by the port for the import of Brazilian and Liberian iron ore in large bulk carriers for furtherance by lakers to the U.S. Great Lakes.

The port is also an important exporter of lumber, dairy products and metallic ores originating from the Province of Québec, as well as a regional centre for the province-based coastal trade.

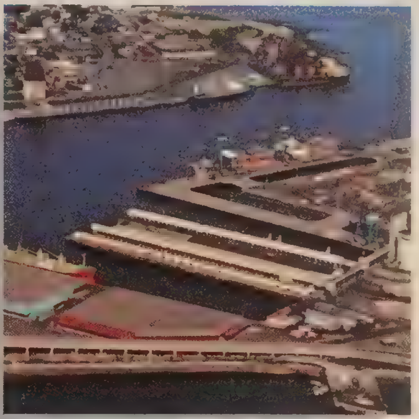
In 1984, the port will complete a $14.5 million program to expand and improve the efficiency of the grain elevator. Costs are shared equally by the port and Bunge Canada Limited, the grain elevator lessee. In recognition of the multi-modal aspect of modern elevator operation, and of the need to match the quick turnaround time required by state-of-the-art transportation systems, the project includes facilities to handle unit trains and self-unloading vessels efficiently.

The main capital project in 1983 was the continued up-grading of the grain elevator, which should be completed in 1984 at a total cost of $5.1 million. The project involves modernizing the rail receiving facilities, installing dust control and other safety items, and improving the overall operating efficiency of the elevator.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	17,525	15,571	
Major traffic Outward			Destination
Grain	4,912	**4,288**	most continents
Petro Products	1,348	**1,073**	coastal
Forest Products	372	**310**	Middle East, Europe
Iron Ore	323	**190**	U.S.
Inward			Origin
Grain	4,773	**4,231**	coastal
Petro Products	4,005	**3,802**	S. America/ Middle East
Pulpwood	629	**444**	coastal
Iron Ore	188	**118**	Brazil/Liberia
Vessel Arrivals	1,621	**1,385**	
Passengers	15,000	**14,500**	

Saint John



The Port of Saint John is one of Canada's major ports for forest products, potash and grain.

The port area is also the site of large private oil and sugar refineries which account for a large portion of its total traffic. The port has been able to capitalize on its geographic location to attract shipping lines serving southern and far eastern markets. It is also served by both CP and CN, the former being one of the major partners in Brunterm Ltd., the port's container terminal.

The first phase of the large-scale potash terminal was completed in 1983. The facility was specifically designed and developed by Ports Canada to export this valuable resource from mines located in the area of Sussex, New Brunswick. Pursuant to successful negotiations with a second mining company, the second phase of the project began in late 1983. Overall, Ports Canada invested nearly $22 million in the project by the end of 1983; the amount will reach $28 million by the time the second phase is completed in 1985.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	8,973	**8,347**	
Major traffic Outward			Destination
Grain	434	**337**	most continents
Salt	1	**207**	East U.S.
Forest Products	602	**645**	N.W. Europe, Africa
Petro Products	1,898	**1,616**	coastal
Containers	685	**581**	Far East, Europe, S. America
Inward			Origin
Raw Sugar	273	**275**	S. America, Cuba
Petro Products	4,375	**3,989**	coastal S. America
Containers	301	**333**	Far East, Europe, S. America
Vessel Arrivals	1,701	**1,639**	
Passengers	—	—	

Sept-Iles

The Port of Sept-Iles, on the north shore of the Gulf of St. Lawrence, is one of Canada's finest natural harbours. The port offers some 250 hectares of land at Pointe Noire, the site of the construction of a new general cargo wharf. The port is open year round and has rail links with the mining communities to the north.

Iron ore traffic, although declining, still accounts for 90% of the total traffic and is destined for the U.S. East Coast, the U.S. and Canadian Great Lakes, Europe, and Japan. Ship-to-ship transfers of coal and ilmenite have taken place and are expected to continue at about the same level as in 1983.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	18,907	**20,223**	
Major traffic Outward			Destination
Iron Ore	16,293	**19,115**	Japan, U.S. coastal
Inward			Origin
Bentonite	102	**84**	Greece
Petro Products	463	**388**	coastal
Vessel Arrivals	682	**741**	
Passengers	—	—	

As part of the federal government's Special Recovery Capital Projects Program (SRCPP), the Corporation began work on an infrastructure project at the Port of Sept-Iles. Development of port facilities is taking place at Pointe Noire to replace the fast deteriorating Monseigneur Blanche facility, located across the Bay of Sept-Iles. Cost of the project is estimated at $36.2 million, with a target completion date of September, 1986. The project will have a favourable socio-economic impact on the community, provide basic port infrastructure for the region and encourage future industrial and port-related investments.

St. John's

The Port of St. John's serves as the main entry point for goods destined for the island part of Newfoundland, particularly the eastern part of the province. Most of that traffic is routed via the ports of Montréal and Halifax. Containerization is increasing, as nearly 70% of the general cargo was containerized in 1983, compared to 10% in the mid-70's. Offshore oil and gas activities have generated new traffic, and offer the single most promising prospect for future business.

The principal capital project of the port is the conversion of its Main Terminal facilities to a modern container terminal compatible with inter-modal transportation systems. This project is expected to be completed in 1985.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	1,102	**1,073**	
Major traffic Outward			Destination
Petro Products	121	**91**	coastal
Fish Products	30	**17**	Japan, Europe
Containers	36	**31**	Labrador
Inward			Origin
Petro Products	427	**448**	coastal
Misc. Foods	69	**70**	coastal
Containers	214	**236**	coastal
Vessel Arrivals	1,519	**1,292**	
Passengers	1,600	**1,200**	

Trois-Rivières

The Port of Trois-Rivières, located on the north shore of the St. Lawrence River midway between Québec and Montréal, serves as the main port for the overseas export of the region's forest products industries. It is a grain port as well as a bulk terminal for inbound commodities related to the paper industry and for the export of ores. The port is accessible year round by water, road and rail.

The port is participating in the Terrasse Turcotte project which aims to revitalize, the old section of this historic port city for urban, recreation and cultural purposes.

Traffic Highlights (in 000's M.T.)

	1982	1983	
Total traffic	2,275	**2,988**	
Major traffic Outward			Destination
Grain	688	**1,192**	most continents
Zinc Ores	131	**167**	Europe, Japan
Pulp & Paper	186	**161**	Europe (U.K.), S. America
Inward			Origin
Grain	742	**1,030**	coastal
Pulpwood	59	—	coastal
Vessel Arrivals	486	**424**	
Passengers	—	—	

Auditor's Report

The Honourable Lloyd Axworthy, P.C., M.P.
Minister of Transport

The Board of Directors
Canada Ports Corporation

I have examined the balance sheet of the Canada Ports Corporation as at December 31, 1983 and the statements of income, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting policies as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith.

Walter Dubowec

Winnipeg, Manitoba
March 5, 1984

Walter Dubowec, F.C.A.
of Touche Ross & Co.

Canada Ports Corporation
Balance Sheet as at December 31, 1983

Assets

	1983	1982 (restated Note 3)
	(in thousands of dollars)	
Current		
Cash	$ 1,356	$ 2,830
Investments (Note 5)	92,814	154,381
Accounts receivable	13,405	32,397
Due from Canada	2,017	6,508
Materials and supplies	756	2,379
	110,348	198,495
Long-term		
Investments (Note 5)	26,476	82,211
Amounts receivable	238	6,526
	26,714	88,737
Investment in Ridley Terminals Inc. (Note 6)	19,271	4,329
Fixed (Note 8)	289,510	522,732
	$445,843	$814,293

On behalf of the Board:

Chairman

President and Chief Executive Officer

Liabilities

	1983	1982 (restated Note 3)
	(in thousands of dollars)	
Current		
Accounts payable and accrued liabilities (Note 9)	**$ 19,195**	$ 40,070
Grants in lieu of municipal taxes	**2,031**	12,601
	21,226	52,671
Long-term		
Accrued employee benefits	**3,506**	9,434
Financing provided by a province (Note 10)	**19,406**	20,610
Loans from Canada (Note 11)	**166,617**	506,914
Recoverable contribution from Canada (Note 12)	**49,152**	40,773
	238,681	577,731

Equity of Canada

Contribution from Canada (Note 14)	**20,072**	20,072
Contributed capital	**322,385**	349,361
Deficit	**156,521**	185,542
	165,864	163,819
	$445,843	$814,293

Canada Ports Corporation
Statement of Income for the year ended December 31, 1983

	1983	1982
	(in thousands of dollars)	(restated Note 4)
Revenue from operations	**$ 60,761**	$58,563
Operating and administrative expenses	**43,817**	38,179
Depreciation	**9,248**	8,592
Grants in lieu of municipal taxes	**4,495**	3,322
Interest expense	**3,053**	1,835
	60,613	51,928
Net income from operations	**148**	6,635
Investment income	**12,852**	15,986
Net income before the undernoted items	**13,000**	22,621
Net income of the Port of Montréal and the Port of Vancouver (Note 4)	**14,941**	34,882
Unusual item (Note 15)	**(11,800)**	—
Net income	**$ 16,141**	$57,503

Canada Ports Corporation
Statement of Deficit for the year ended December 31, 1983

	1983	1982
	(in thousands of dollars)	
Deficit at beginning of the year	$ 185,542	$243,045
Net income	16,141	57,503
	169,401	185,542
Deficit assumed by Montréal Port Corporation (Note 4)	(80,316)	—
Surplus transferred to Vancouver Port Corporation (Note 4)	67,436	—
Deficit at end of the year	$ 156,521	$185,542

Canada Ports Corporation

Statement of Contributed Capital For the year ended December 31, 1983

	1983	1982
	(in thousands of dollars)	
Contributed capital at beginning of the year	**$ 349,361**	$349,361
Contributed capital transferred to Montréal Port Corporation (Note 4)	**(19,243)**	—
Contributed capital transferred to Vancouver Port Corporation (Note 4)	**(7,733)**	—
Contributed capital at end of the year	**$ 322,385**	$349,361

Canada Ports Corporation

Statement of Changes in Financial Position For the year ended December 31, 1983

	1983	1982
	(in thousands of dollars)	(restated Note 3)
Funds provided		
Operations		
Net income	$ 16,141	$ 57,503
Items not requiring an outlay of funds		
Depreciation	13,572	18,228
Deferred interest	1,855	—
Unusual item (Note 15)	11,800	—
Other	1,343	(17)
	44,711	75,714
Loans from Canada	7,110	7,875
Recoverable contribution from Canada	8,379	40,597
Contribution from Canada	—	20,072
Capital grants	15,425	23,969
Proceeds on sale of long term investments	5,076	—
Other	77	1,128
	80,778	169,355
Funds employed		
Additions to fixed assets	54,615	125,563
Investment in Ridley Terminals Inc.	14,942	4,305
Loans from Canada currently payable	747	711
Reduction of debt to a province	1,204	183
	71,508	130,762
Increase in working capital before transfers to local port coporations	9,270	38,593
Working capital transferred to Montréal Port Corporation (Note 4)	(36,894)	—
Working capital transferred to Vancouver Port Corporation (Note 4)	(29,078)	—
(Decrease) increase in working capital	(56,702)	38,593
Working capital at beginning of the year	145,824	107,231
Working capital at end of the year	$ 89,122	$145,824

1. Canada Ports Corporation Act

The Canada Ports Corporation Act passed by the House of Commons on July 26, 1982 and proclaimed effective on February 24, 1983, amended the National Harbours Board Act and changed the name of National Harbours Board to Canada Ports Corporation. The Act provides for the establishment of local port corporations to manage and operate selected ports. As a Schedule C corporation under the Financial Administration Act, the Corporation is exempt from income tax.

2. Significant accounting policies

a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

c) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workmen's compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

i) Interest on contribution from Canada

Interest on the contribution from Canada is reflected in the financial statements in the year paid as it is contingent upon the receipt of dividends from Ridley Terminals Inc.

3. Changes in accounting policies

a) Investment in Ridley Terminals Inc.

Effective in 1983, the investment in Ridley Terminals Inc. is accounted for on the equity basis. Although the Corporation owns 90% of the voting shares, it only exercises joint control as a result of the shareholders' agreement entered into with the other shareholder. In 1982, the accounts of Ridley Terminals Inc., were consolidated with those of the Corporation. The equity basis of accounting has been applied retroactively and the prior year's figures restated accordingly.

b) Contribution from Canada

Effective in 1983, the contribution from Canada for the purchase of shares in Ridley Terminals Inc. has been included in Equity of Canada because of the purpose of the contribution, the terms and the contingent nature of the interest. In 1982, this contribution was reported as a long term liability and has been restated in the current year.

4. Local Port Corporations

Effective July 1, 1983, the Port of Montréal and the Port of Vancouver were established as local port corporations under the names of Montréal Port Corporation and Vancouver Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying value in the accounts of the Corporation to the two local port corporations as follows:

	Montréal Port Corporation	Vancouver Port Corporation
	(in thousands of dollars)	
Assets		
Working capital	$ 36,894	$ 29,078
Long term investments	38,412	11,952
Long term amounts receivable	1,061	5,248
Fixed	107,636	138,422
	$184,003	$184,700
Liabilities		
Long term accrued employee benefits	$ 5,248	$ 844
Loans from Canada	239,828	108,687
	245,076	109,531
Equity		
Contributed capital	19,243	7,733
(Deficit) surplus	(80,316)	67,436
	$184,003	$184,700

The results of operations of the Port of Montréal and the Port of Vancouver for the six month period ended June 30, 1983 and for the year ended December 31, 1982 are as follows:

	1983	1982
	(in thousands of dollars)	
Revenue from operations	**$68,280**	$132,788
Operating and administrative expenses	**52,901**	97,790
Depreciation	**4,324**	9,636
Grants in lieu of municipal taxes	**2,543**	5,083
Interest expense	**462**	961
	60,230	113,470
Net income from operations	**8,050**	19,318
Investment income	**6,891**	15,564
Net income	**$14,941**	$ 34,882

5. Investments

	1983		1982	
	(in thousands of dollars)			
	Cost	**Market Value**	Cost	Market Value
Short term	**$ 92,814**	**$ 92,597**	$154,381	$155,203
Long term	**$ 26,476**	**$ 25,794**	$ 82,211	$ 82,833

6. Investment in Ridley Terminals Inc.

Order in Council (PC 1981-3669) dated December 18, 1981 authorized the Corporation to enter into an agreement with Federal Commerce and Navigation Ltd. for the development, management and operation of a coal terminal facility on Ridley Island at the Port of Prince Rupert. A company, Ridley Terminals Inc., was incorporated on December 18, 1981 under the Canada Business Corporations Act for this purpose. The agreement stipulates that at least 90% of the common (voting) shares of Ridley Terminals Inc. shall be allotted and issued to the Corporation and that the Corporation shall acquire class A preference shares equal in value to the class B preference shares issued to the other shareholder.

At December 31, 1983, the Corporation had acquired, at a cost of $19,571,000, 90% of the issued common shares and 100% of class A preference (non-voting) shares of Ridley Terminals Inc. In accordance with the agreement, the Corporation is committed to purchase shares of Ridley Terminals Inc. up to a maximum of $23,021,000.

At December 31, 1983, Ridley Terminals Inc. was in its start-up phase. As a result, all terminal operating costs, net of revenues, are being deferred.

The balance sheet of Ridley Terminals Inc. as reported in its audited financial statements shows:

	December 31, 1983	1982
	(in thousands of dollars)	
Assets		
Current	$ 1,201	$ 3,414
Deferred operating costs	2,465	235
Fixed	218,967	65,565
	$222,633	$ 69,214
Liabilities		
Current	$ 15,667	$ 17,677
Demand bank loan	167,824	42,479
	183,491	60,156
Share capital	39,142	9,058
	$222,633	$ 69,214

Preferred dividends and interest in arrears at December 31, 1983, amount to:

	Dividends	Interest
	(in thousands of dollars)	
Class A preference shares	$ 2,340	$ 128
Class B preference shares	5,122	311
	$ 7,462	$ 439

7. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amount of $14,447,000 (1982 — $14,532,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106b, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Therefore, both the debentures received and advances and loans payable to Canada have been offset against each other and are not reflected as a separate asset and liability on the balance sheet. Interest income and expense of $991,000 (1982 — $996,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of the Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1983, this transfer had not been completed.

8. Fixed assets

a) Summary

		1983			1982
		(in thousands of dollars)			
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
Land	—	**$ 75,735**	**$ —**	**$ 75,735**	$134,385
Dredging	2.5-6.7	**18,461**	**11,179**	**7,282**	12,305
Berthing structures	2.5-10	**156,270**	**73,521**	**82,749**	130,318
Buildings	2.5-10	**73,365**	**41,049**	**32,316**	77,615
Utilities	3.3-10	**18,804**	**6,791**	**12,013**	22,229
Roads and surfaces	2.5-10	**18,952**	**9,512**	**9,440**	31,637
Machinery and equipment	5-100	**29,730**	**21,710**	**8,020**	20,912
Office furniture and equipment	20	**1,868**	**1,061**	**807**	902
Projects under construction	—	**61,148**	**—**	**61,148**	92,429
		$454,333	**$164,823**	**$289,510**	$522,732

b) Capital grants

During the year, the Corporation received capital grants totalling $15,425,000 (1982 — $23,969,000) towards the construction of capital projects, of which $10,549,000 (1982 — $23,890,000) was received from Canada.

c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $13,832,000, of which most will be expended in the year ending December 31, 1984.

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilites are the following:

	1983	1982
	(in thousands of dollars)	
Deferred revenues	**$ 2,179**	$ 5,597
Current portion of long-term liabilities	**$ 1,719**	$ 1,133

10. Financing provided by a province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John, which is owned by the Corporation. Until the non-interest bearing advance is repaid, the Province will receive 47% of the net operating income of the terminal as payment of principal.

11. Loans from Canada

	1983	1982
	(in thousands of dollars)	
Loans bearing interest at 6.44% to 15.625% with blended annual principal and interest repayment requirements of $3,873,000 and maturing between December 31, 1993 and 2002	**$ 25,336**	$ 32,424
Less: current portion (included in accounts payable and accrued liabilities)	**747**	711
	24,589	31,713
Deferred interest	**1,855**	—
Non-interest bearing loans with indefinite due date	**108,250**	317,739
Accrued interest on loans not due and payable	**31,923**	157,462
	$166,617	$506,914

Loans of $14,856,000 from Canada for the construction of new terminal facilities for the Port of Saint John bear interest at rates of between 11.0% and 15.6%. Payment of the interest on these loans is deferred until construction is complete and then repayment is to be over a period of ten years.

Principal repayment requirements over the next five years amount to $747,000 in 1984, $833,000 in 1985, $928,000 in 1986, $1,034,000 in 1987 and $1,153,000 in 1988.

12. Recoverable contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island, Port of Prince Rupert. The contribution received as of December 31, 1983 amounted to $49,152,000 (1982 — $40,773,000).

The total recoverable contribution is interest-free until April 1, 1989 and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989 contingent upon the revenues received from a direct coal throughput surcharge. The balance of $2,100,000 is repayable on a fixed, blended principal and interest basis over 20 years, commencing on April 1, 1989.

13. Contingencies

Claims aggregating approximately $14,000,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material financial liability.

14. Contribution from Canada

In 1982, the Corporation received from Canada a contribution of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution are to be determined between Treasury Board and the Corporation prior to April 1, 1989.

Interest is to be calculated on the contribution at the average borrowing rate for Crown corporations in effect while the contribution is outstanding. The payment of principal and interest is contingent upon the receipt of dividends from Ridley Terminals Inc. Interest on this contribution will be reflected in the financial statements in the year paid. At December 31, 1983, the interest accumulated is approximately $4,600,000.

15. Unusual item

The unusual expense results from the write-down of the cost of a pier to reflect the major future costs required to bring the pier back to a normal operating condition.

16. Subsequent event

In accordance with the Canada Ports Corporation Act, the petitions for the establishment of local port corporations at the Port of Halifax, the Port of Quebec and the Port of Prince Rupert were approved during 1983. The local port-corporations will be established when letters patent of incorporation are issued which is expected to be during 1984.

As at December 31, 1983, these ports accounted for working capital of $43,261,000, deficit of $98,411,000, total assets of $213,226,000 and net income of $7,774,000 in the financial statements of the Corporation.

17. Comparative figures

The prior year's financial statements which have been restated are derived from financial statements reported on by another auditor.

The 1982 figures have been reclassified in order to conform with this year's presentation.

Corporate Directory

Directors

Glenn W. McPherson
Chairman
Former Chairman of the
Vancouver Port Authority
Vancouver, B.C.

A.C. Huxtable [1]
Vice-Chairman
Member of the Halifax
Port Authority and the
Halifax/Dartmouth Port
Commission,
Halifax, N.S.

Jacques Auger
President and Chief
Executive Officer
Ottawa, Ontario.

Alastair W. Allan [2]
Marine Administrator,
Transport Canada
Ottawa, Ont.

Roméo Boyer
President of Québec Grues Ltée
Chairman of the Montréal Port
Corporation
Longueuil, Qué.

Raymond Dufour
Management consultant
Mallette, Benoît,
Boulanger, Rondeau, Inc.
Québec, Québec.

Wendell Firlotte
Superintendent
Woodlands Division
New Brunswick International
Paper Inc.
Dalhousie, N.B.

Robert W. Innes
Chairman
St. John's Port Authority
St. John's, Nfld.

The Honourable Otto E. Lang
Executive Vice-President of
Pioneer Grain Ltd.
Winnipeg, Man.

Lionel Major
Director general
Inter-Cité Construction Limitée
Chairman
Chicoutimi Port Authority
Chicoutimi, Qué.

John H. Morrish
President and Chief Executive
Officer of Fording Coal Ltd.
Calgary, Alta.

Marian L. Robson
Chairman of the Vancouver
Port Corporation
Vancouver, B.C.

William G. Somerville
President and Chief Executive
Officer of Victoria and Grey
Trust Company
Toronto, Ont.

Ian G. Stott [3]
President
Stott Aluminium
Sydney, N.S.

James L. Thom
President of Montréal Shipping
Company Limited
Montréal, Qué.

John S. Thompson
General Manager
Ormiston Mining and
Smelting Co.
Ormiston, Sask.

Dr. Stephen Weyman
Former director of the National
Harbours Board
Saint John, N.B.

1 Deceased September 11, 1983.
2 Resigned September 26, 1983.

3 Appointed Vice-Chairman of the Board, December 15, 1983.

Committees of the Board

Executive Committee

Chairman: Glenn W. McPherson
Vice-Chairman: A.C. Huxtable

Members: Jacques Auger
The Honourable Otto E. Lang
William H. Somerville
Ian G. Stott
James L. Thom

Audit Committee

Chairman: Roméo Boyer

Members: Wendell J. Firlotte
John S. Thompson

Corporate Planning and Budgeting

Chairman: Dr. Stephen Weyman

Members: Alastair W. Allan
Lionel Major
John H. Morrish

Human Resources and Compensation

Chairman: Robert Innes

Members: Alastair W. Allan
Raymond M. Dufour
Marian L. Robson
Ian G. Stott

Officers of the Corporation

Glenn W. McPherson
Chairman of the Board

Jacques Auger
President and Chief Executive Officer

Roger Cramm
Vice-President
Administrative Services

Camille Guérin
Vice-President
Finance

Alain Jarry
Vice-President
Corporate Policy and Planning

Francis J. MacNaughton
Vice-President
Technical Services

Michael Swinwood
General Counsel

Françoise Bureau
Corporate Secretary

Ports Officers

Port	General Manager/ Superintendent	* LPC/ Port Authority Chairmen
Belledune		
Chicoutimi / Baie des Ha! Ha!	G. Desgagnés	L. Major
Churchill	D. Figurski	K. Rawlings
Halifax	R.V. Beck	G.E. Simmons
Montréal	D. Taddeo	* Roméo Boyer
Port Colborne	R.R. Fisher	
Prescott	R.E. Bailey	
Prince Rupert	K.R. Krauter	W.J. Scott
Québec	H. Allard	J.P. Biron
Saint John (N.B.)	G.C. Mouland	F.G. Elkin
St. John's (Nfld.)	D.J. Fox	R.W. Innes
Sept-Iles	S. Tremblay	A. Lapointe
Trois-Rivières	P. Alain	M. Germain
Vancouver	E.W. Tofsrud	* Marian L. Robson

Port Locations

National Office
320 Queen Street, Ottawa, Ontario
K1A 0N6 Tel: (613) 996-6400

Port of Belledune
c/o National Office
320 Queen Street
Ottawa, Ontario
K1A 0N6
Tel: (613) 996-6400

Port of Chicoutimi /
Baie des Ha! Ha!
Lafontaine Street
Chicoutimi, Québec
G7H 5E1
Tel: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Manitoba
R0B 0E0
Tel: (204) 675-8823

Port of Halifax
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Québec
H3C 3R5
Tel: (514) 283-7042

Port Colborne Elevator
West Pier
Port Colborne, Ontario
L3K 5V8
Tel: (416) 834-3644

Prescott Elevator
River Road East
Prescott, Ontario
K0E 1T0
Tel: (613) 925-4228

Port of Prince Rupert
110 - 3rd Avenue W,
Prince Rupert,
B.C
V8J 1P3
Tel: (604) 627-7545

Port of Québec
10, de Quercy Street
Québec, Québec
G1K 7P7
Tel: (418) 694-3558

Port of Saint John
133 Prince William Street
Saint John, N.B.
E2L 2B5
Tel: (506) 648-4869

Port of St. John's
3 Water Street
St. John's, Nfld.
A1C 5X8
Tel: (709) 772-4664

Port of Sept-Iles
421 Arnaud Street
Suite 202
Sept-Iles, Québec
G4R 3B3
Tel: (418) 968-1231

Port of Trois-Rivières
1545 Du Fleuve
Trois-Rivières, Québec
G9A 5K2
Tel: (819) 378-3939

Vancouver Port Corporation
1900-200 Granville Street
Vancouver, B.C.
V6C 2P9
Tel: (604) 666-8978

Vancouver Port Corporation
Société du port de Vancouver

ANNUAL REPORT 1983

Canada

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Our Cover
Containers are loaded off a ship at dockside at the Port of Vancouver. Container traffic increased 19 per cent at the port in 1983, as Vancouver achieved an all-time total tonnage record.

Expansion of the Roberts Bank bulk commodities terminal was completed in 1983, providing additional facilities for handling Canada's coal and related exports to world markets.

CHAIRMAN'S MESSAGE

Marian Robson, Chairman

The Board of Directors is pleased to present the first annual report of the Vancouver Port Corporation.

Since the Port of Vancouver became a local port corporation under the new Canada Ports Corporation Act on July 1, 1983, the Board and Staff have continued to operate the port while providing new directions aimed at improving our operations, enhancing Canada's international trade, and relating more closely to local, regional and national concerns.

As indicated in the General Manager's message, the port achieved the movement of a record volume of cargo during the calendar year, which included the first six months of the new Vancouver Port Corporation. This is an achievement of which all of those associated with the Port of Vancouver can be proud.

With the retirement of Fred Spoke in February, 1983, after a distinguished career as Port Manager in Vancouver, the Board's immediate priority in 1983 was the selection of a new General Manager. This selection process was completed in December and, effective January 1, 1984, Erik W. Tofsrud assumed the position. The Board welcomes Mr. Tofsrud, whose broad experience in transportation systems will be of particular benefit to the Port.

As a Port whose broad objective is to encourage and facilitate Canada's international trade, Vancouver has a unique role as this nation's trade window to the Pacific. As such, the new status of the port as a locally-directed organization has assumed particularly important significance.

One of the first tasks undertaken by our new Board of Directors was to commence a series of meetings with port users, local governments and community, regional and national business and local groups as a part of a new process of ongoing consultation. The Board recognizes that all of these interested groups have a stake in the operation of the port and that their views and concerns had to be heard. This dialogue continues into 1984 and is considered a priority by the Board and Management.

During the year, the port completed the initial draft of its Master Plan, a document outlining development planning for the next 30 years for the Port of Vancouver. This is an important plan, one which will have a major impact on the waterfront of Vancouver. As part of the Board's commitment to communicating with, and obtaining input from, local community groups, the Master Plan is being discussed with local groups as well as with Port users. We anticipate this process will be completed in early 1984, and a final Master Plan will be completed about mid-year.

Work was also completed on an expansion of the Roberts Bank bulk commodities port to four sites from one. The second new site already is being used for coal exports. The two additional sites were originally earmarked for coal exports. However, current projections indicate other bulk commodity exports may be more likely and our staff is currently seeking other compatible users for the additional sites.

As a locally-directed corporation, the port now has authority to set its own rates. In keeping with the federal restraint program, and maintaining a posiition of flexibility in rate-setting, the Board during its first year decided to keep rate increases at or below the five per cent level. While future rate changes cannot be predicted at this time, the Board intends to maintain a flexible position which takes into account many factors, including economic conditions, competition, marketing strategy and development plans.

The Board during 1983 extended for a short period its current arrangements involving the operation of its three terminals. Unlike most ports in Canada, the Port of Vancouver owns the container cranes and provides terminal maintenance and billing services, with stevedoring companies providing services under contract. The Vancouver Port Corporation is considering whether to continue these arrangements or whether it should lease out all operations of its terminals, as is the more common practice. This decision could have a significant impact on the manner and direction of operations at the port.

In the time ahead, the Vancouver Port Corporation faces a series of important decisions which will have far-reaching impact on the port. The effects of these decisions mean that the port must give priority in its planning to two broad areas, communications and marketing.

Developing and maintaining dialogue and input from the many parties who have a stake in the Port of Vancouver will enable the Port to proceed with planning, confident that various groups are participating in the process and are supportive of it. This communications effort will therefore be of particular concern.

Greater emphasis will also be placed on marketing strategy, to ensure that Vancouver meets the growing competition from U.S. West Coast ports and to identify and take advantage of trade and business opportunities that will benefit Canada. This will require active marketing planning and programming so that opportunities and needs can be anticipated and developed.

On Behalf of the Board of Directors,

Marian Robson

Marian Robson, Chairman

Vancouver, B.C.
March, 1984

GENERAL MANAGER'S MESSAGE

The Port of Vancouver achieved an all-time record for handling total tonnage in calendar 1983. The tonnage was an increase of 5.2 per cent from 1982, and reflected improving world markets for several of the major commodities handled by Vancouver.

Of the record 51.7 million metric tonnes handled, approximately 30.4 per cent was coal and coke, 21.1 per cent grain, 8.7 per cent sulphur, 6.2 per cent potash and 7.7 per cent forest products.

General cargoes decreased slightly in the year, reflecting the continuing trend to container use. The number of containers handled rose more than 19 per cent.

Overall, operating revenues for the reporting period of the Vancouver Port Corporation totalled $42,483,544. While direct financial comparisons cannot be made with the same period in 1982 because of the changed status of the port, it is worth noting that revenues increased by approximately 13.6 per cent. Net income for the first six months, including interest income of $2,309,304, was $6,656,472.

Major projects completed in 1983 include site reclamation at Roberts Bank, an addition to the storage shed at Lynnterm and the erection of a third container crane at Vanterm.

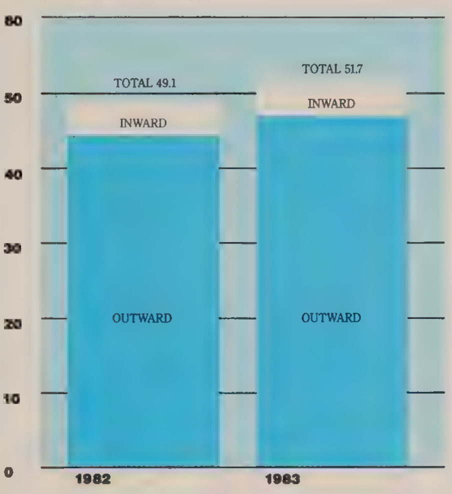
The port's container-handling capacity will be further increased with the completion early in 1984 of a second new container crane at Centerm. These additions will enable the port to take full advantage of container transportation opportunities.

Construction commenced during the year on the $137 million Canada Harbour Place cruise ship facility and trade and convention centre on the Vancouver waterfront. The Vancouver Port Corporation's involvement concerns the new cruise ship facility, which will be an outstanding and needed addition to port facilities. The cruise facility will be opened for the 1986 cruise season.

In total, the port's capital expenditure program in the first six months as a local port corporation was $15.1 million. Capital budget for calendar 1984 is $23 million, involving primarily the cruise ship facility, terminal improvements and associated port infrastructure.

Collective agreements with the port's unionized employees, members of the International Longshoremen's and Warehousemen's Union and the Ports Canada Police Association, have been extended under the federal Public Sector Compensation Restraint Act which limits pay increases to six and five per cent in 1983 and 1984. Under the Act, these agreements are extended to 1985.

TOTAL PORT TONNAGE
(in millions of tonnes)



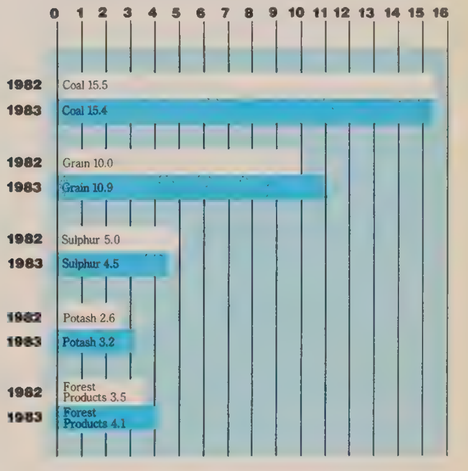
The first six months of the port's existence as a locally-directed port corporation was a period of change for the port and its people. It has required an adjustment in planning and approval orientation. This move to a local port corporation is one that is welcomed, and we anticipate the improvements that will result from local and regional orientation will continue in the time ahead.

The year 1984 will be an important one

Erik W. Tofsrud,
General Manager and Chief Executive Officer

for the Vancouver Port Corporation. In addition to the facilities expansion already indicated for the year, we will be setting guidelines to shape the port's direction for the future. In that con-

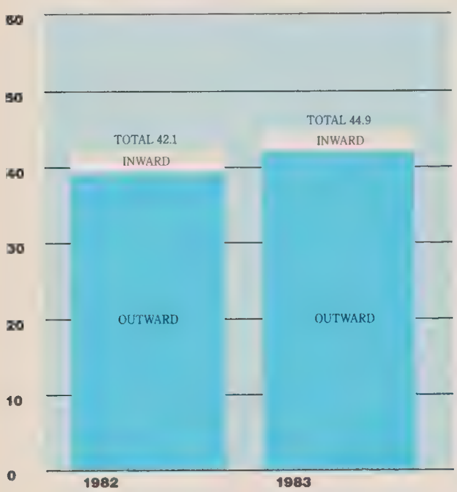
MAJOR EXPORTS
(in millions of tonnes)



nection, the Master Plan document discussed by the Chairman in her report will be a major planning component. In addition, issues such as development along the central waterfront area and public

access to that section, and the demolition of and the planning for the future development of Terminal Dock, will require considerable attention.

BULK CARGO
(in millions of tonnes)

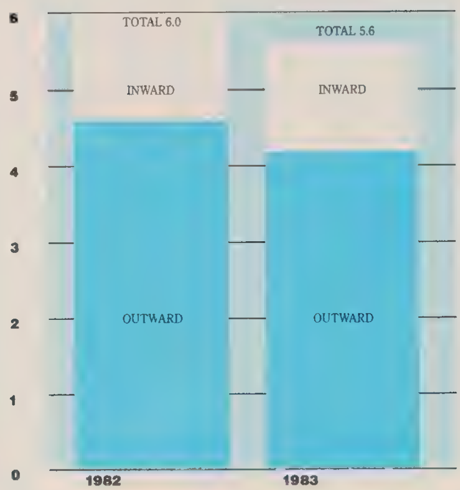


Identifying and developing new business opportunities will be a major concern of the port's planned marketing strategy in 1984. In that area, we will be examining ideas within the context of total transportation systems, rather than viewing these solely from a marine port perspective. During the first half of 1984, a decision will be taken regarding the Corporation's role in the operation of Centerm, Lynnterm and Vanterm. As part of this decision, we are also developing a comprehensive marketing plan to increase container movement through the port.

To improve the port's ability to act as a catalyst to trade growth, and in line with its new responsibilities as a local port corporation, the port will be expanding its activities in marketing, marketing research, strategic and facilities planning, and communications in the year ahead.

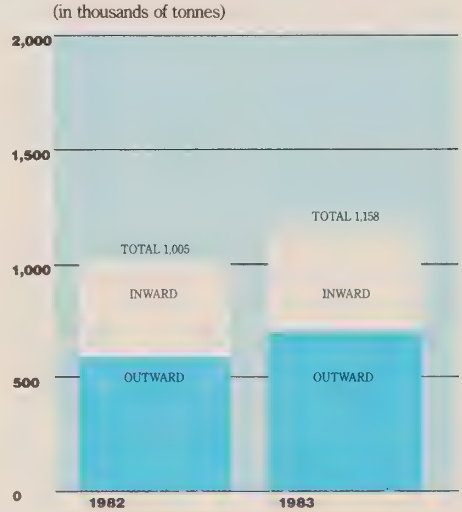
One area of particular importance to

GENERAL CARGO
(in millions of tonnes)



the port will be the impact resulting from recent changes in grain transportation legislation involving Crow's Nest Pass freight rates. The results from these legislative changes will provide the Port of Vancouver with an exceptional opportunity for competitive handling of new

CONTAINERIZED CARGO
(in thousands of tonnes)



commodities such as specialty grains. In addition, we anticipate that new trade development opportunities will arise involving Pacific Rim countries.

Erik W. Tofsrud,
General Manager and
Chief Executive Officer

Vancouver, B.C.
March, 1984

VANCOUVER PORT CORPORATION

BALANCE SHEET as at December 31, 1983 (in thousands of dollars)

ASSETS

Current	
Cash	$ 259
Investments (Note 3)	29,884
Accounts receivable	9,639
Materials and supplies	570
	40,352
Long-term	
Investments (Note 3)	9,348
Receivables (Note 4)	4,929
	14,277
Fixed (Note 5)	151,708
	$206,337

LIABILITIES

Current	
Accounts payable and accrued liabilities	$6,737
Grants in lieu of municipal taxes	5,095
Deferred revenues	3,303
	15,135
Long-term	
Accrued employee benefits	839
Loans from Canada (Note 6)	108,538
	109,377
	124,512

EQUITY OF CANADA

Contributed capital (Note 1)	7,733
Retained earnings	74,092
	81,825
	$206,337

Approved by the Board:

Marian Robson
Chairman

Director

VANCOUVER PORT CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS
for the six months ended December 31, 1983
(in thousands of dollars)

Revenue from operations	$42,484
Operating and administrative expenses	32,911
Grants in lieu of municipal taxes (Note 7)	3,202
Depreciation	1,837
Interest expense	187
	38,137
Income from operations	4,347
Investment income	2,309
Net income	6,656
Retained earnings transferred from Canada Ports Corporation (Note 1)	67,436
Retained earnings at end of the period	$74,092

VANCOUVER PORT CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the six months ended December 31, 1983
(in thousands of dollars)

Funds provided	
Operations	
Net income	$ 6,656
Items not requiring an outlay of funds	
Depreciation	1,837
Other	(34)
	8,459
Proceeds on sale of long-term investments	2,642
Reduction of long-term receivables	319
	11,420
Funds employed	
Additions to fixed assets	15,132
Reduction of long-term loans from Canada	149
	15,281
Decrease in working capital	3,861
Working capital transferred from Canada Ports Corporation (Note 1)	29,078
Working capital at end of the period	$25,217

VANCOUVER PORT CORPORATION

Notes to Financial Statements December 31, 1983

1. Incorporation and objectives

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as an Agency Crown corporation in Schedule C of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to create a port environment which facilitates the efficient and economic movement of goods through the Port of Vancouver and to effectively plan and manage the Port's resources.

In accordance with the Canada Ports Corporation Act, all assets and liabilities of the Canada Ports Corporation (C.P.C.), formerly National Harbours Board, relating to the Port of Vancouver were transferred to the Corporation by C.P.C. effective July 1, 1983. The net assets transferred were recorded by the Corporation as contributed capital of $7,733,000 and retained earnings of $67,436,000 at the book values established in the accounts of C.P.C. as follows:

	(in thousands of dollars)
Current asssets	$ 44,390
Current liabilities	15,312
Working capital	29,078
Long-term investments	11,952
Long-term receivables	5,248
Fixed assets (cost $182,865 less accumulated depreciation $44,443)	138,422
Long-term accrued employee benefits	(844)
Long-term loans from Canada	(108,687)
	$75,169

The results of operations of the Port of Vancouver prior to July 1, 1983 were included in the financial statements of Canada Ports Corporation.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. A summary of the significant accounting policies of the Corporation is as follows:

Fixed assets and depreciation

Fixed assets are recorded at cost except for those transferred to C.P.C. from Canada which are recorded at values established at the time of transfer (appraised or fair market value) to C.P.C. Depreciation of fixed assets is calculated on the straight-line basis at rates based on the estimated useful lives of the assets as follows:

Dredging	40 years
Berthing structures, buildings, roads and surfaces	10 to 40
Utilities	10 to 33
Machinery and equipment	1 to 20

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for worker's compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the period of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided for under collective agreements and corporate policy.

3. Investments

Funds are invested in Government of Canada treasury bills (current) and bonds (long-term) which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31, 1983, the market value of treasury bills approximated carrying value and the market value of bonds was $8,783,000.

4. Long-term receivables

Long-term receivables originally resulting from sales of fixed assets by C.P.C. become due over periods from 12 to 15 years at interest rates varying from 5.75% to 6.625%.

5. Fixed Assets

	Cost	Accumulated Depreciation	Net
	(in thousands of dollars)		
Land	$79,079	$ —	$79,079
Dredging	247	141	106
Berthing structures	40,706	18,914	21,792
Buildings	19,287	6,757	12,530
Utilities	9,097	3,447	5,650
Roads and surfaces	21,447	9,039	12,408
Machinery and equipment	10,104	5,314	4,790
Office furniture and equipment	511	426	85
Projects under construction	15,268	—	15,268
	$195,746	$ 44,038	$151,708

6. Loans from Canada

	(in thousands of dollars)
Interest bearing loan at 7.5% repayable in blended annual instalments until December 31, 2000	$ 4,816
Less: current portion	149
	4,667
Non-interest bearing loan with an indefinite due date	76,494
Accrued interest not due and payable	27,377
	$108,538

Principal repayment requirements over the next five years amount to $149,000 in 1984, $160,000 in 1985, $173,000 in 1986, $185,000 in 1987 and $199,000 in 1988.

7. Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes includes $1,334,000 for provisional grant assessments received in the period and applicable to the period prior to July 1, 1983.

8. Commitments and contingencies

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $4.6 million which will be expended in the year ended December 31, 1984. In addition, the Corporation is presently finalizing an agreement with Canada Harbour Place Corporation for the construction of a cruise ship facility at Canada Place in Vancouver, B.C. for which the cost to the Corporation is expected to amount to $24.8 million during 1984 and 1985.

Claims aggregating approximately $2 million in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been made against the Corporation. In the opinion of management, the final outcome of such claims will not result in any material loss.

AUDITOR'S REPORT

To the Board of Directors
Vancouver Port Corporation

I have examined the balance sheet of Vancouver Port Corporation as at December 31, 1983 and the statements of income and retained earnings and changes in financial position for the six months then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the six months then ended in accordance with generally accepted accounting principles consistently applied.

I further report that, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith.

E. R. Rowe, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 8, 1984

VANCOUVER PORT CORPORATION

1900 Granville Square, 200 Granville Street
Vancouver, British Columbia V6C 2P9

Board of Directors:

Marian L. Robson,
Richmond, B.C.
Chairman

Cecil S. Cosulich,
Vancouver, B.C.
Vice-Chairman
President of RivTow Straits Ltd.

Alan F. Campney,
Vancouver, B.C.
Corporate Director,
Barrister and Solicitor

Norman G. Cunningham,
Vancouver, B.C.
President, British Columbia
Maritime Employer's Association

Donald P. Garcia,
Vancouver, B.C.
President, International
Longshoremen's and
Warehousemen's Union

Robert H. Lee,
Vancouver, B.C.
President, Prospero
International Realty Inc.

Paul S. Plant,
Vancouver, B.C.
President,
Ralph S. Plant Ltd.

Audit Committee:

Chairman:

Alan F. Campney

Members:

Norman G. Cunningham
Paul S. Plant

Executive Officers:

Marian L. Robson,
Chairman

Erik W. Tofsrud,
General Manager and
Chief Executive Officer

Sharon L. Matthews,
Chief Legal Counsel and
Corporate Secretary

Donald G. Buggie,
Chief Financial Officer

Construction commenced in 1983 on Canada Harbour Place on the Vancouver waterfront, with a new cruise ship facility an important part of this trade and convention centre development.

Canada

Montreal Port Corporation

Société du port de Montréal

ANNUAL REPORT 1983

Canada

Contents

Cover

Photograph of the Racine Terminal,
taken at night from the St. Lawrence river.

The Chairman's Message

Mr. Roméo Boyer

The Port of Montreal launched a new chapter in its history when, on July 1, 1983, it effectively acquired the status of a local port corporation. On that date, memorable for a variety of reasons, the Montreal Port Corporation came into existence.

The local port corporation status confers considerable new powers on the Port of Montreal. Among other effects, this increase in autonomy accelerates both our administrative and decision-making processes.

We are especially proud to submit with this report the Montreal Port Corporation's first financial statements. Bear in mind that our first fiscal period covers only six months beginning July 1, 1983, the date of incorporation. But we can readily conclude, after reviewing the results, that the Montreal Port Corporation is in good stead from a financial point of view.

Although the financial statements span only the latter half of 1983, to provide a more accurate perspective, our comments refer to the entire year's highlights.

1983 was a good year for the Port of Montreal as we experienced traffic increases in all the major commodity groups.

Our most encouraging results come in the category of container traffic, in which 1983 turned out to be a record year for us. In fact, Montreal is gradually gaining on Baltimore, which ranks second only to New York among the North American port of the eastern seaboard.

Montreal has been and remains Canada's number one container port. Our share of the east coast market climbed from 56 to 60 percent in 1983.

To secure the port's future, we are paying close attention to market studies that will enable us to forecast demand as well as our space and plant requirements. Our 1983 five-year plan, based on these market studies, projects an investment of approximately $175 million in upgrading our facilities and services.

We are also developing a master plan for managing and expanding our facilities during the next 30 years.

We already have the results of an initial study dealing with traffic projections and space requirements, and with the possibilities of expanding downstream from the island of Montreal. Another study, focusing on our expansion possibilities on the island itself, is currently underway.

In short, the Port of Montreal is engaged in identifying its most pressing needs, and is equipping itself with the means essential to planning its long-term future.

On October 21, 1983, Mr. Nicholas Beshwaty, General Manager and Chief Executive Officer, retired after more than 37 years of loyal service, the last 11 as General Manager and Chief Executive Officer.

Mr. Beshwaty was highly regarded throughout the shipping industry, in which he played both a useful and impressive role. We want to take this opportunity to again wish him a long, prosperous, and happy retirement.

Following Mr. Beshwaty's departure, the Board entrusted the port's management to Mr. Dominic J. Taddeo who has been with the organization since September 1974.

Mr. Taddeo was first appointed Deputy General Manager and Chief Executive Officer on October 25, 1983, then promoted to General Manager and Chief Executive Officer on March 30, 1984.

The Board of Directors expects 1984 will be another good year. The Port of Montreal is promised a brilliant future, thanks to its numerous advantages which will be brought to light by its competent and dedicated employees, to whom we express our sincerest and warmest gratitude.

Roméo Boyer

Roméo Boyer,
Chairman.

The General Manager and Chief Executive Officer's Message

Mr. Dominic J. Taddeo

The economic recovery stimulated activity in the Port of Montreal during 1983. We and our colleagues of the maritime industry can congratulate ourselves for our wholehearted effort to profit from this recovery by exploiting the Port of Montreal's unique geographic location as well as its numerous other advantages.

Before going on to review 1983, the following are the highlights of the Montreal Port Corporation's first audited financial statements, for the six month fiscal period ended December 31, 1983. These are presented on the following pages.

Highlights of the first fiscal period

Our revenue from operations for the latter six months of the past year amounted to $30,714,000, while expenses from operations totalled $23,100,000.

Net income from operations for the same period amounted to $7,614,000, and net interest income was $4,545,000. Total net income amounted to $12,159,000.

Our capital expenditures in the latter half of 1983 amounted to $4,864,000.

1983 in review

For the full year, revenue from operations totalled $55.7 million, compared to $52.9 million in 1982. Expenses from operations amounted to $45.8 million, versus $45.1 million in 1982.

Net income from operations amounted to $9.9 million, compared to $7.8 million in 1982.

Net interest income was $8.7 million compared to $8.5 million in 1982. Net income amounted to $18.6 million, compared to $16.3 million in the preceding year.

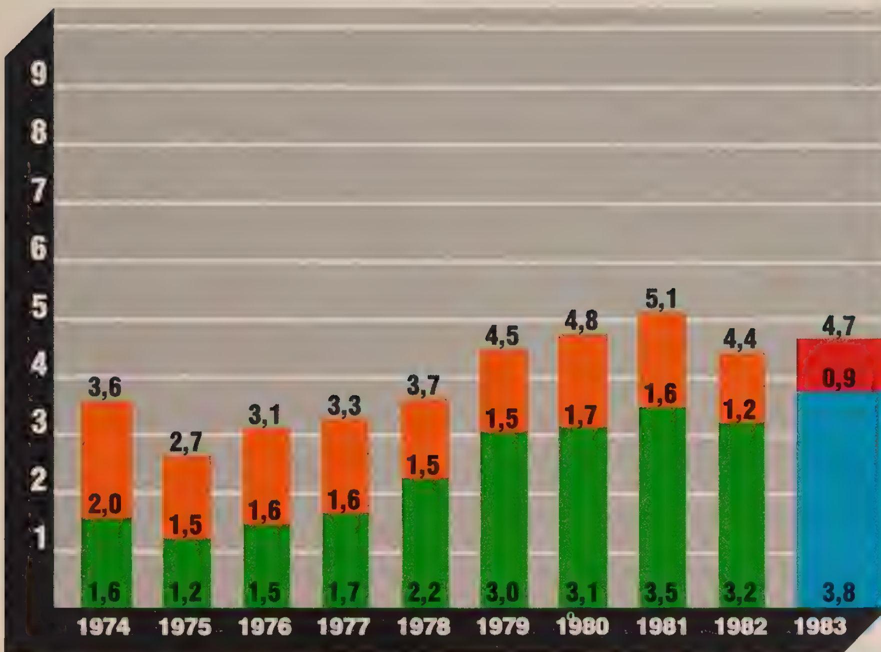
Capital expenditures for 1983 amounted to $7.2 million.

Total traffic through the Port climbed to 22.7 million metric tonnes in 1983, compared to 20.3 million tonnes in 1982; an increase of 11.8 percent, or 2.4 million tonnes.

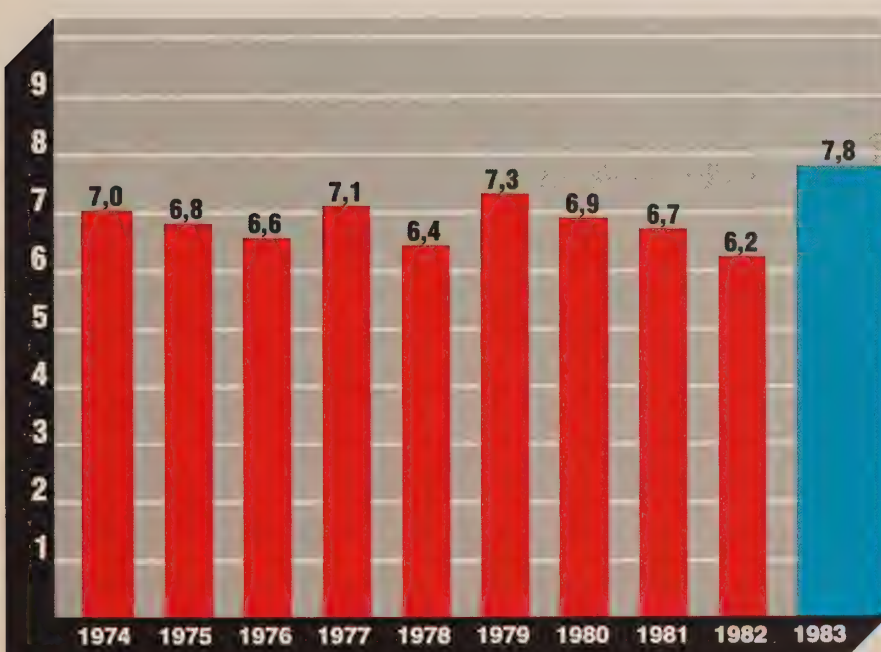
The volume of general cargo grew by 6.9 percent to reach 4.7 million tonnes in 1983, compared to 4.4 million tonnes in 1982. This increase is due solely to containerized cargo, as break bulk cargo dropped from 1.2 million tonnes in 1982 to 0.9 million tonnes in 1983.

Container traffic reflected an increase of 16 percent, climbing from 3.2 million tonnes in 1982 to 3.8 million tonnes in 1983. The number of 20-foot equivalent units (TEU) rose from 316,317 to 357,503.

Total Traffic
(Millions of metric tonnes)



General Cargo
(Millions of metric tonnes)



Petroleum Products
(Millions of metric tonnes)

A record year

1983 was a record year in containerized traffic at the Port of Montreal, thereby solidifying our position as Canada's number one container port.

These exceptional results in containerized traffic are a direct consequence of the economic revival and of the efforts of the Port of Montreal and its colleagues of the maritime industry to increase our share of a growing market. We expect the Port of Montreal to be handling 500,000 units (TEU) by the beginning of the next decade.

Total traffic of petroleum products at the port reached a record 7.8 million tonnes in 1983, compared to 6.2 million in 1982. This 25.5 percent increase stems solely from the volume of crude oil handled; the volume of refined products remained more or less constant.

Coastal shipments of crude oil loaded continued to climb in 1983 because of a federal compensation program launched the previous year to entice eastern refiners to use more crude from western Canada.

We can expect a decline in outward shipments of crude oil at the expiration of the compensation program.

Grain shipments in 1983 increased by five percent or 300,000 tonnes, a total of 6.5 million tonnes.

Traffic in other dry and liquid bulk cargo, excluding grain and petroleum products, climbed approximately 8.5 percent to reach 3.8 million tonnes in 1983, compared to 3.5 million tonnes in 1982.

The category of other dry bulk commodities was responsible for this increase, while that of other liquid bulk commodities experienced a drop primarily caused by decreases in the export of hydrocarbons and in the import of molasses.

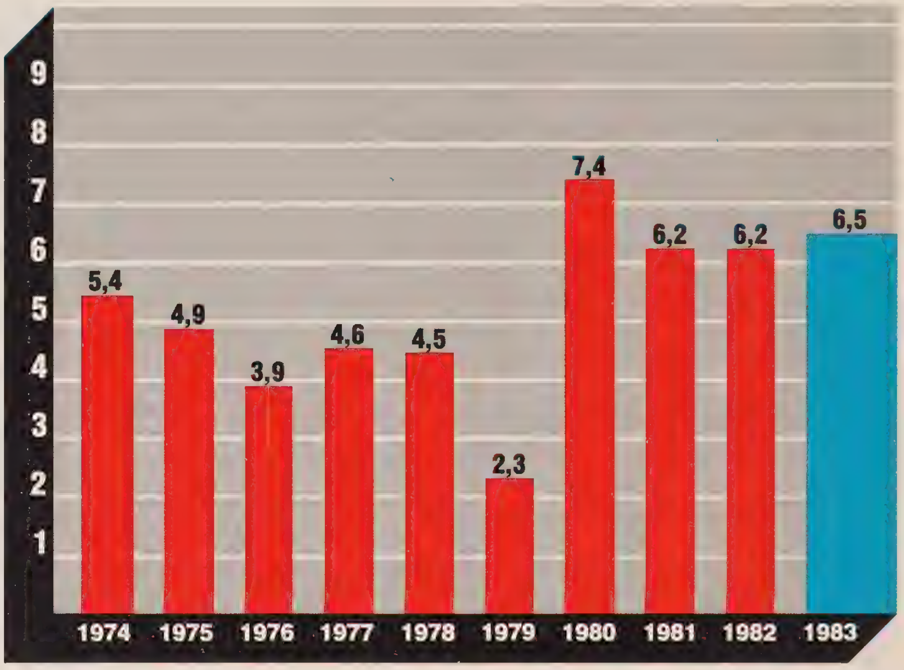
Traffic in other dry bulk commodities grew by 10.2 percent, due mainly to a recovery in the steel and related industries.

The Port of Montreal handled 21,651 passengers in 1983, a figure in line with the average for recent years.

Five-year capital expenditure program

The Port of Montreal expects to invest some $175 million in improving its facilities over the next five years. Capital expenditures this year should amount to approximately $30 million.

Our five-year program includes plans to enlarge the Cast and Racine container terminals, modernize elevator No. 5 and further upgrade elevator No. 4 as well as elevator No. 3, purchase four locomotives, expand and improve our rail network, purchase vehicles and equipment, as well as various other projects.



Grain Traffic
(Millions of metric tonnes)

Other Dry and Liquid Bulk
(Millions of metric tonnes)

Prospects
The Port of Montreal expects 1984 will be another good year barring any major and unforeseen relapse from the economic recovery. Our long-term traffic forecast remains a source of optimism and inspiration.

The gold-headed cane
In keeping with a tradition whose known origins date back to 1840, management officially launched the 1983 navigation year by presenting a gold-headed cane to the captain of the first vessel to reach the port's boundary on a non-stop sailing. The proud recipient was Captain Arthur Walser of the container ship M/V Sofati Continent, which crossed the Port's boundaries 12:27 a.m. on January 1st.

25th annual meeting of the C.P.H.A.
1983 at the Port of Montreal was also marked by an important event in the Canadian shipping scene. The Port of Montreal was greatly pleased and honoured to host, from August 28 to 31, the 25th annual meeting of the Canadian Port and Harbour Association.

This was a first for the Port of Montreal, and I am indeed proud and pleased that over 150 port and harbour officials, accompanied by their spouses, returned home satisfied and happy by this jubilee convention.

Personally, the occasion was memorable for marking the end of an especially rewarding term as president of the C.P.H.A. As principal organizer of the event, I want to warmly thank all the participants and all those, from near and far, whose contributions made the meeting a total success.

By way of conclusion, we cannot overemphasize the continuous efforts of our colleagues in the maritime industry, our unionized workers, our office staff, and our management team at ensuring the Port of Montreal's robust vitality. To all, our sincerest thanks!

Dominic J. Taddeo

Dominic J. Taddeo,
General Manager and
Chief Executive Officer.

Montreal Port Corporation

Balance sheet
as at December 31, 1983 (in thousands of dollars)

ASSETS	
Current	
Cash	$ 820
Investments (note 3)	52,115
Accounts receivable	9,699
Materials and supplies	797
	63,431
Long-term	
Investments (note 3)	39,259
Amounts receivable (note 4)	1,023
	40,282
Fixed (note 5)	109,904
	$213,617
LIABILITIES	
Current	
Accounts payable and accrued liabilities (note 6)	$ 11,133
Grants in lieu of municipal taxes	6,540
	17,673
Long-term	
Accrued employee benefits	5,331
Loans from Canada (note 7)	239,527
	244,858
EQUITY OF CANADA	
Contributed capital	19,243
Deficit	(68,157)
	(48,914)
	$213,617

On behalf of the board:

Chairman

General Manager and
Chief Executive Officer

Statement of income and deficit

for the six months ended December 31, 1983 (in thousands of dollars)

REVENUE FROM OPERATIONS	$30,714
OPERATING AND ADMINISTRATIVE EXPENSES	18,074
DEPRECIATION	2,586
GRANTS IN LIEU OF MUNICIPAL TAXES	2,158
INTEREST EXPENSE ON LOANS FROM CANADA	282
	23,100
NET INCOME FROM OPERATIONS	7,614
INVESTMENT INCOME	4,545
NET INCOME	12,159
DEFICIT TRANSFERRED FROM CANADA PORTS CORPORATION (NOTE 1)	80,316
DEFICIT AT THE END OF THE YEAR	$68,157

Montreal Port Corporation

Statement of changes in financial position

for the six months ended December 31, 1983 (in thousands of dollars)

FUNDS PROVIDED	
Operations	
Net income	$12,159
Items not requiring an outlay of funds	
Depreciation	2,586
Other	63
	14,808
Proceeds on sale of long-term investment	6,814
Other	68
	21,690
FUNDS EMPLOYED	
Additions to investments	7,661
Additions to fixed assets	4,864
Loans from Canada currently payable	301
	12,826
INCREASE IN WORKING CAPITAL	8,864
WORKING CAPITAL TRANSFERRED FROM CANADA PORTS CORPORATION (NOTE 1)	36,894
WORKING CAPITAL AT THE END OF THE YEAR	$45,758

Notes to financial statements

for the six months ended December 31, 1983

1. Status

The Port of Montreal was previously under the jurisdiction of the Canada Ports Corporation, formerly the National Harbours Board; as at July 1, 1983, the Montreal Port Corporation was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act.

Following section 6.5 of the Canada Ports Corporation Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation, as it is for the Montreal Port Corporation.

Total transfer of assets less assumed liabilities resulted as of July 1, 1983 in an excess of liabilities over assets represented by contributed capital of $19,243,000 and a deficit in the amount of $80,315,689. The working capital at July 1, 1983 amounted to $36,894,158.

Fixed assets were recorded at their original cost with related accumulated depreciation and the investments are recorded at their original cost plus amortized discount or less amortized premiums.

2. Significant accounting policies

a) Fixed assets and accumulated depreciation
The fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated on the straight-line method for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension costs
All permanent employees of the Montreal Port Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada.

Contributions to the plan are required from both the employees and the Montreal Port Corporation. These contributions represent the total liability of the Montreal Port Corporation and are recognized in the accounts on a current basis.

c) Insurance
The Montreal Port Corporation assumes substantially all risks against fire and general perils, as well as for workmen's compensation claims. Any costs arising from these risks are recorded in the accounts in the year incurred.

d) Grants in lieu of municipal taxes
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits
The Montreal Port Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with Montreal Port Corporation policy.

3. Investments

Funds are invested in Government of Canada direct and guaranteed securities which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. The market value of the short-term investments represents its amortized cost, as that of the long-term investments is $37,890,394.

4. Amounts receivable

Long-term amounts receivable become due over periods from 6 to 24 years at interest rates varying from 5¼% to 8% and are secured by hypothec.

5. Fixed assets

a) Summary

(in thousands of dollars)

	Depreciation rates %	Cost	Accumulated depreciation	Net
Land	—	$ 20,017	—	20,017
Dredging	2.5%	15,188	11,025	4,163
Berthing structures	2.5%	65,274	42,495	22,779
Buildings	2.5%	69,861	37,046	32,815
Utilities	5%	12,217	6,485	5,732
Roads and surfaces	2.5%-10%	16,760	8,476	8,284
Machinery and equipment	5%-20%	36,013	26,945	9,068
Office furniture and equipment	20%	665	456	209
		235,995	132,928	103,067
Projects under construction		6,837	—	6,837
		$242,832	132,928	109,904

b) In 1979, the National Harbours Board through the port of Montreal effected a land transfer to the Canada Mortgage and Housing Corporation which land is presently being utilized by Le Vieux-Port de Montréal. The book value amounted to $7,971,000 and the transaction was recorded without profit nor loss. The port of Montreal received total consideration of $9,175,000, being $3,500,000 in cash and land recorded in its books at $5,675,000. As at December 31, 1983, the Corporation recorded under current liabilities the related difference of $1,204,000.

In 1981 as well as in 1983, additional assets were transferred to Public Works Canada. These transfers had not yet received the approval of Treasury Board as at December 31, 1983, and even if those fixed assets are under management of Le Vieux-Port de Montréal, they were not written off the books of the Corporation as at December 31, 1983. The original cost of these fixed assets is $28,652,372 with a corresponding net book value of $2,822,967.

As at December 31, 1983, the consideration for the related transfers that had not yet received the approval of the Treasury Board amounted to $12,000,000 for which settlement is actually in process. An amount of $1,200,000 was received and recorded under current liabilities of the Corporation as at December 31, 1983.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues for $272,330 and for the current portion of long-term liabilities for $583,545.

7. Loans from Canada

	(in thousands of dollars)
Loans bearing interest at 6.25% with blended annual principal interest repayment requirements of $842,561 and maturing in 2000	$ 8,954
Less: Current portion	584
	8,370
Non-interest bearing loans with indefinite due date	132,995
Accrued interest on loans not due nor payable	98,162
	$239,527

Principal repayment requirements over the next five years amount to:

1984	1985	1986	1987	1988
$583,545	$319,403	$339,365	$360,576	$383,112

8. Contingencies

Claims aggregating approximately $6,700,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Montreal Port Corporation property and sundry other matters in dispute have been made against the Montreal Port Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material financial liability.

9. Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $10,800,000.

10. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally of grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

To the members of the board of the
Montreal Port Corporation

We have examined the statements of income and deficit and changes in financial position of the Montreal Port Corporation for the fiscal year of six months ended December 31, 1983 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the corporation for the fiscal year of six months ended December 31, 1983 and its financial position at that date in accordance with generally accepted accounting principles.

We further report that, in our opinion, proper books of account have been kept by the corporation and the financial statements are in agreement therewith.

Samson Bélair

Chartered Accountants
Montreal, March 15, 1984

Montreal Port Corporation

Board of Directors

Roméo Boyer*
Chairman

Ian C. Campbell*
Vice-Chairman

Léo Beaulieu

Roger Bishop

Yvon Lamarre

Arnold E. Masters

Justine Sentenne*

* Members of the Executive Committee

Executive Officers

Roméo Boyer
Chairman

Dominic J. Taddeo
General Manager and
Chief Executive Officer

Dea Hassib
Director
Operations

Marius Landry
Director
Finance and Administration

Pierre Legault
Director
Human Resources

Yvan Simard
Director
Planning and Development

Corporate offices

Port of Montreal
Port of Montreal Building
Cité du Havre
Montreal (Quebec)
CANADA
H3C 3R5
Telephone
(514) 283-7011

1.

2.

3.

4.

5.

1. Gantry crane in operation at one of the six container terminals of the Port of Montreal, Canada's Number One container port. **2.** The Port of Montreal operates its own harbour terminal railway serving all wharves and connecting with both transcontinental railways. **3.** Aerial view of the Bickerdike Pier, a multi-purpose terminal for the handling of dry bulk, break-bulk, containers and grain. **4.** Elevator No. 4 has a capacity of 244,000 metric tonnes of grain. In the foreground, the drydocks of Versatile Vickers Inc. **5.** The petroleum products berths section in the winter. The Port of Montreal is active all year-round.


Prince Rupert
Vancouver
Churchill
Chicoutimi / Baie des Ha! Ha!
Sept-Îles
Québec
Trois-Rivières
Montréal
Prescott
Port Colborne
Belledune
Saint John
Halifax
St. John's

Ports Canada

Report
to the Minister
1984

The corporate logo of the Canada Ports Corporation and the local port corporations, consists of the following:

1. *the anchor is a marine symbol originally used on old charts to indicate a vessel anchorage;*
2. *the three red maple leafs stand for the three regions of Canada served by the corporations, namely, Atlantic, Central and Pacific;*
3. *the gold and silver colours represent trade and commerce, respectively.*

TABLE OF CONTENTS

The annual reports of local port corporations appear in the sequence of their date of incorporation.

Ports Canada Profile

Ports Canada'' describes a federal system of 15 ports* administered pursuant to the *Canada Ports Corporation Act*. The *Act* which was proclaimed in February 1983, established the Canada Ports Corporation as an agent of Her Majesty the Queen and provides for the establishment of local port corporations, with a high degree of autonomy. On July 1, 1983, the Ports of Vancouver and Montréal were granted local port corporation status. On June 1, 1984, the Ports of Prince Rupert, Halifax and Québec were also granted similar status.

Ports Canada assets include an investment in Ridley Terminals Inc., a corporation jointly owned with Fednav Limited, established to build and operate a world-scale coal terminal facility at the Port of Prince Rupert, B.C.

Ports Canada handles nearly half of all Canadian waterborne cargo. Its principal business is to provide an efficient national port system to facilitate Canada's trade objectives. This is based on the principle of responsible management within a private-sector discipline, and a high degree of autonomy in the administration of ports within the system.

*Belledune, N.B.; Chicoutimi/Baie des Ha!Ha!, Québec; Churchill, Manitoba; Halifax, Nova Scotia; Montréal, Québec; Port Colborne, Ontario; Prescott, Ontario; Prince Rupert, B.C.; Québec, Québec; Saint John, N.B.; St. John's, Nfld.; Sept-Iles, Québec; Trois-Rivières, Québec; Vancouver, B.C.

Ce rapport annuel est aussi disponible en français

Message from the Chairman of the Board

I am pleased to submit the 1984 annual reports of the Canada Ports Corporation and the local port corporations of Vancouver, Montreal, Halifax, Prince Rupert and Quebec.

Since the enactment of Bill C-92 in February 1983, Ports Canada has worked steadily toward a definition of its roles and responsibilities and is completing the work on its corporate mission.

As local port corporations received their letters patent and accepted responsibility for their own operating autonomy, it has been necessary to adjust the staff and management structure inherited from the National Harbours Board. It has not been an easy or comfortable year for the staff and management as these adjustments have been made. The Board gives its thanks and appreciation to all members of staff and management within the Ports Canada system for their dedication and patience through this period.

Recognition must be given for the progress made during this formative period, to the Members of the Board of Directors and the former Chairman, Mr. Glenn McPherson.

The Board of Directors also wants to acknowledge the contribution of Mr. Jacques Auger who was President through the formative twenty-two months. After more than twenty years of service in the public sector of transportation, Mr. Auger leaves his office at Canada Ports Corporation to take up a career in the private sector. He carries the Board Members' good wishes for success.

We thank the Minister for the policy direction given to the Ports Canada system in the Vancouver speech of January 24th, 1985. That direction and challenge has been accepted by the Board of Directors.

We look forward to an active, interesting year ahead.

A. R. Huntington
Chairman of the Board

Message from the President and Chief Executive Officer

The year 1984 marked the first full year of operation for the Canada Ports Corporation as a new Crown Corporation. During the year, the Corporation successfully met some of the challenges of the *Canada Ports Corporation Act*, including the creation of three additional local port corporations at the ports of Halifax, Québec and Prince Rupert.

The Corporation now faces new challenges. These challenges translate, first, into the provision of service to the ports, and ultimately, to the people of Canada. Where direct service to the ports in our system is concerned, the Corporation is involved in the implementation of key policies in areas as diverse as land management, pricing, police services, and capital investment strategies. A comprehensive ports policy for Canada ultimately depends on the mutual coexistence of a unified national direction and strong, autonomous local operation. A test of our maturity at this stage is the Corporation's ability to balance these seemingly opposite concepts. It is the management's continuing belief that such a balance is best struck through the provision of efficient, responsive service to our system and its users.

Another area of our focus during 1984 was the crucial role played by our ports system in support of Canada's international trade, particularly where capital investments for competitive facilities were concerned. In 1984, the Corporation spent $43.5 million in capital expenditures. Such investments, as outlined in the Review of Business, are essential to the continuous upgrading of the Corporation's infrastructure if we are to maintain a competitive level of service. Thus, one of our primary financial goals is to generate sufficient income from our operations to meet the capital requirements for the maintenance of an efficient ports system. In this regard, our partnerships with private-sector concerns have proven to be a mutually-effective stimulus in sharing the economic benefits of port business.

Above all, the Corporation is committed to the support of Canada's trade objectives. Canada's position as a major trading partner in the international community, and the fact that export trade accounts for close to one third of Canada's gross national product, make clear the importance of the provision of an efficient ports system. This is our principal business.

I wish to extend to the Chairman of the Board, the Honourable Ron Huntington, and to the Members of the Board, my personal appreciation for their continued strong support and advice. I would also like to express the Corporation's gratitude to its first President and Chief Executive Officer, Mr. Jacques Auger, for his service during its most crucial stage as a new Corporation. Finally, I would like to thank the staff at each of our fifteen ports and the National Office, without whose co-operative efforts we would not have achieved our continued success.

Michael W. Swinwood

Ports Canada Highlights

	(in thousands, except for average number of employees) 1984	1983
Financial results		
Revenue from operations	**$213,440**	$202,266
Net income	**55,130**	34,956
Funds provided by operations	**75,934**	67,978
Financial position at year end		
Working capital	**$189,783**	$160,097
Total assets	**924,763**	865,797
Long term liabilities*	**597,695**	592,916
Capital expenditures	**$ 96,611**	$ 74,611
Traffic (in metric tonnes)	**164,778**	143,884
Employees		
Average number of employees	**1,637**	1,695

*Of the total long-term liabilities, $520,363,000 are loans from Canada (1983 — $514,682,000). Included in this balance are non-interest bearing loans with indefinite due dates amounting to $317,739,000 and accrued interest not due and payable amounting to $157,462,000.

Auditors' Report on Combined Financial Highlights

The combined highlights of Canada Ports Corporation and the local port corporations for the year ended December 31, 1984, with the exception of the traffic and employee statistics, have been extracted from the audited financial statements of Canada Ports Corporation which were reported on by us and from the Vancouver Port Corporation, the Montréal Port Corporation, the Halifax Port Corporation, the Prince Rupert Port Corporation, and the Port of Québec Corporation which were reported on by other auditors. In our opinion, the combined financial highlights have been properly prepared from the information contained in the respective audited financial statements.

Touche Ross & Co

Chartered Accountants

Winnipeg, Manitoba
March 11, 1985

Ports Canada Five Year Review

(in millions except for vessel arrivals, average number of employees and ratios)

	1984	1983	1982 (restated)	1981	1980
Financial Results					
Revenue from operations	**$213.4**	$202.3	$191.4	$183.9	$152.0
Operating expenses	**190.4**	182.1	165.4	152.5	153.7
Operating income (loss)	**23.0**	20.2	26.0	31.4	(1.7)
Investment income	**28.6**	26.6	31.6	28.4	19.9
Net income	**55.1**	35.0	57.5	59.8	17.4
Funds provided by operations	**75.9**	68.0	75.7	71.5	57.3
Financial position at year end					
Working capital	**$189.8**	$160.1	$145.8	$107.3	$161.1
Fixed assets — at cost	**914.0**	892.9	850.6	752.4	715.3
Total assets	**924.8**	865.8	814.3	681.3	620.1
Equity of Canada	**274.0**	218.8	183.9	106.3	46.5
Capital expenditures	**$96.6**	$74.6	$125.6	$65.0	$37.9
Traffic (in metric tonnes)					
Grain	**29.9**	31.7	30.6	27.0	29.2
Bulk other than grain	**116.3**	94.7	88.9	114.2	113.7
Container	**8.7**	7.6	6.9	7.5	7.2
Other general cargo	**9.9**	9.9	10.6	11.8	12.9
Total	**164.8**	143.9	137.0	160.5	163.0
Vessel arrivals	**29,253**	28,438	29,549	32,725	35,969
Employees					
Average number of employees	**1,637**	1,695	1,760	1,766	1,777
Ratios					
Operating revenue/tonne	**$1.29**	$1.41	$1.40	$1.15	$0.93
Tonnes/employee	**100,672**	84,897	77,841	90,883	91,728

Vancouver Port Corporation

Annual Report 1984

Message from the Chairman

The Board of Directors of the Vancouver Port Corporation is pleased to report that during 1984 the port achieved another record for total tonnage handled. The port continued to carry out a number of ongoing projects which are expected to consolidate Vancouver's role as a prominent port on the West Coast of North America.

In 1984, total tonnage through the port increased 14.8 per cent from the previous record in 1983. This reflected continuing volume improvement in world markets for several of the major bulk commodities handled by the port, particularly coal and coke.

Construction of a new cruise ship facility, part of the Canada Place hotel, trade and convention centre, continued on schedule during the year. Canada Place is expected to become Vancouver's signature for international tourism. Capable of berthing up to three vessels at once, Canada Place will welcome its first cruiseship from the Inland Passage-Alaska run in April of 1986.

Roberts Bank outer port, a world-scale bulk commodity export facility, made an even larger contribution to tonnage statistics during 1984. The doubling of the coal terminal capacity early in 1984 enabled the shipment of additional coal and coke volumes, accounting for more than 70 per cent of the coal and coke shipped through the port. Two additional sites are available at the expanded Roberts Bank facility, and other users are being sought to utilize the capacity.

Container handling and storage capacity was increased during the year. The popularity of containers continues to grow, and considerable effort is being devoted to expanding Vancouver's share of container traffic in and out of west coast ports.

The Board of Directors also began the process of examining the general direction of the port in its role as a facility to enhance Canada's international trade. One of the key considerations in this connection is the role of the private entrepreneur. In the past, the private sector played a large part in the development of ports. The Board believes that entrepreneurial spirit could again play an important role in the port's development. The decentralized authority vested in the Vancouver Port Corporation will help to foster private sector initiative, and ensure a port system that is responsive to local and private sector needs while serving Canada's national port system and international trade objectives.

The Board, in co-operation with Ports Canada, also examined the question of policing services and of the billing process at the Port of Vancouver to identify duplication and to improve the efficiency of the port for all of its users.

In 1985, the Board will review a recommendation by the Minister of Transport that the port and its users consider the creation of an off-port depot to develop improved container forwarding services. The objective would be to speed the flow of containers to and from customers and ships and thereby improve the port's ability to compete for an increased share of container traffic.

In December, the Board was pleased to welcome the appointment of Jane Frost as Director.

On behalf of the Board, I wish to extend to all of the staff of the port, and to the many people directly and indirectly connected with the port, a sincere thanks for their contribution to the accomplishments of the Port of Vancouver in 1984.

Captain Hector D. Perry
Chairman of the Board

Message from the Port Manager and Chief Executive Officer

The year 1984 produced record results for the Port of Vancouver. Total tonnage handled during the year was 59.3 million tonnes representing a 15% increase over the 51.6 million tonnes handled in 1983. A number of major commodities shipped through the port also established records in the year. Coal and coke with export shipments of 19.5 million tonnes surpassed the previous record set in 1983 of 15.4 million tonnes by a remarkable 26%. This accomplishment was achieved through the increased coal exporting capacity at Roberts Bank, and the aggressive marketing efforts by coal exporters.

The first coal from Westshore's expanded terminal at Roberts Bank was shipped in January 1984, with total shipments from this facility surpassing 16 million tonnes during the year.

Sulphur exports of 5.6 million tonnes exceeded 1983 shipments by 24% and surpassed the previous record of 5.5 million tonnes established in 1981. Potash with 4.1 million export tonnes achieved an increase of 27% over the record set in 1983.

The volume of grain was down slightly in 1984 with shipments totalling 10.9 million tonnes. Forest products handled through the port reflected the slump in the forest industry with a volume of 6.2 million tonnes down 8% from the previous year.

Containerized cargoes through Vancouver in 1984 produced strong gains over 1983. Container tonnage increased 20% while the number of containers expressed in T.E.U.'s exceeded the prior year by 11%.

Cruise vessel activity in the port attained record levels in 1984 with total passengers exceeding 209,000 a 19% increase over a year earlier.

The Corporation continued improvements throughout 1984, including the installation of anti-corrosion systems to various dock facilities and the strengthening of the Heatley Street Overpass.

A second container crane was installed at Centerm to meet our increasing container throughput needs. Construction also commenced on a 145 meter berth extension, which will provide 595 meters of berth face at Centerm. Complementing this berth extension will be additional storage space of some 2.5 hectares.

Vancouver Port Corporation installed two transtainer pads at Vanterm enabling the introduction of transtainer operations in Vancouver. At Lynnterm an additional 5,575 square meters of transit shed was completed in early 1984.

The construction of the new cruise ship facility, an integral component of the Canada Place Pier redevelopment, represents the largest single development currently underway by the Corporation. Planned for opening with the 1986 cruise ship season, the Canada Place Pier will host the Federal Pavilion for Expo '86.

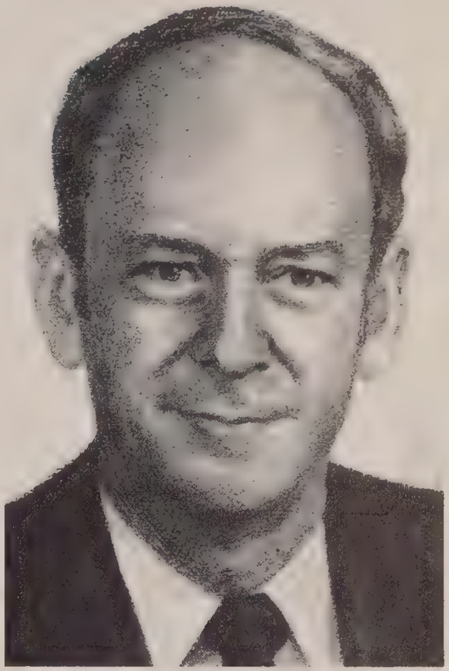
Capital expenditures by the Corporation totalled $20.3 million during the year.

Total Corporate revenues during the year were $99.4 million representing an increase of $8.6 million over the 1983 calendar year. Net income for 1984 exceeded $16.7 million an increase of $1.5 million over the net income for the calendar year 1983.

Trips were taken overseas to promote the port and the services it offers, particularly for container traffic.

A trip to Korea and Japan was made by the Vancouver Port Corporation, the Maritime Employers Association, and the International Longshoremen and Warehousemen's Union in October, 1984. The purpose of the trip was to assure Asian executives that all three levels in the Port of Vancouver are working together to ensure effective service. The joint delegation was well received and provided an opportunity to exchange ideas and information between the Vancouver delegation and members of the Asian shipping community.

Planning for the Vancouver Port Corporation's involvement in Expo '86 and for the seventy-fifth anniversary of the Canadian Navy proceeded during 1984. The port is very much aware of the importance of our role in Expo '86 as an international showcase for our facilities and is developing special programs to capitalize on our opportunity.



In keeping with their desire to be a progressive corporate citizen within the community, our Board of Directors embarked upon a program to enhance mutual understanding with the seven municipalities surrounding the port.

The year has been an exciting one in the port's history with 1985 promising even greater challenges as the efforts commenced during 1984 are built upon.

I would also like to take this opportunity to extend my sincere thanks to all the employees of the Corporation, the companies working within the port and all who have utilized the port for making it such a successful year.

Francis J. MacNaughton

Auditor's Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

I have examined the balance sheet of Vancouver Port Corporation as at December 31, 1984 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and by-laws of the Corporation.

Raymond Dubois, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 1, 1985

Balance sheet
as at December 31, 1984

ASSETS

(in thousands of dollars)

	1984	1983
Current		
Cash	$ 827	$ 259
Investments (Note 3)	28,692	29,884
Accounts receivable	9,264	9,639
Materials and supplies	718	570
	39,501	40,352
Long-term		
Investments (Note 3)	9,410	9,348
Receivables (Note 4)	4,596	4,929
	14,006	14,277
Fixed (Note 5)	167,446	151,708
	$220,953	$206,337

LIABILITIES

(in thousands of dollars)

	1984	1983
Current		
Accounts payable and accrued liabilities	$ 6,186	$ 6,737
Grants in lieu of municipal taxes	4,710	5,095
Deferred revenues	2,129	3,303
	13,025	15,135
Long-term		
Accrued employee benefits	952	839
Loans from Canada (Note 6)	108,377	108,538
	109,329	109,377
	122,354	124,512

EQUITY OF CANADA

	1984	1983
Contributed capital (Note 1)	7,733	7,733
Retained earnings	90,866	74,092
	98,599	81,825
	$220,953	$206,337

On behalf of the Board:

Vice-Chairman

Director

Statement of income and retained earnings
for the year ended December 31, 1984

	(in thousands of dollars) **1984** (12 months)	1983 (6 months)
Revenue from operations	**$94,746**	$42,484
Operating and administrative expenses	**73,294**	32,911
Grants in lieu of municipal taxes	**4,391**	3,202
Depreciation	**4,526**	1,837
Interest expense	**361**	187
	82,572	38,137
Income from operations	**12,174**	4,347
Investment income	**4,600**	2,309
Net income	**16,774**	6,656
Retained earnings at beginning of the period	**74,092**	67,436
Retained earnings at end of the period	**$90,866**	$74,092

Statement of changes in financial position
for the year ended December 31, 1984

	(in thousands of dollars) **1984** (12 months)	1983 (6 months)
Funds provided		
Operations		
Net income	**$16,774**	$ 6,656
Items not requiring an outlay of funds		
Depreciation	**4,526**	1,837
Other	**115**	(45)
	21,415	8,448
Reduction of long-term receivables	**333**	319
Proceeds on sale of fixed assets	**16**	11
Proceeds on sale of long-term investments	**—**	2,642
	21,764	11,420
Funds employed		
Additions to fixed assets	**20,344**	15,132
Reduction of long-term loans from Canada	**161**	149
	20,505	15,281
Increase (decrease) in working capital	**1,259**	(3,861)
Working capital at beginning of the period	**25,217**	29,078
Working capital at the end of the period	**$26,476**	$25,217

Notes to financial statements
December 31, 1984

1. INCORPORATION AND OBJECTIVES

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as a Crown corporation in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and operate the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

In accordance with the Canada Ports Corporation Act, all rights, obligations and liabilities of the Canada Ports Corporation (C.P.C.), formerly National Harbours Board, relating to the Port of Vancouver were transferred to the Corporation by C.P.C. effective July 1, 1983. The net assets transferred were recorded by the Corporation as contributed capital of $7,733,000 and retained earnings of $67,436,000 at the book values established in the accounts of C.P.C.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

Fixed assets and depreciation

Fixed assets are recorded at cost except for those transferred to the National Harbours Board, now C.P.C., from Canada which are recorded at appraised or fair market values established at the time of that transfer. Depreciation of fixed assets is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	40 years
Berthing structures, buildings, roads and surfaces	10 to 40
Utilities	10 to 33
Machinery and equipment	1 to 20
Office furniture and equipment	5

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Insurance

The Corporation assumes substantially all risks against fire and property damage, as well as for worker's compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided for under collective agreements and corporate policy.

3. INVESTMENTS

Funds are invested in Government of Canada treasury bills (current) and bonds (long-term) which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31, 1984, the market value of treasury bills approximated carrying value and the market value of bonds was $9,085,000.

4. LONG-TERM RECEIVABLES

Long-term receivables originally resulting from sales of fixed assets by C.P.C. become due over periods from 10 to 12 years at interest rates varying from 5.75% to 6.625%.

5. FIXED ASSETS

	1984			1983
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	**$ 79,083**	**$ —**	**$ 79,083**	$ 79,079
Dredging	**247**	**147**	**100**	106
Berthing structures	**41,536**	**19,723**	**21,813**	21,792
Buildings	**19,330**	**7,202**	**12,128**	12,530
Utilities	**9,767**	**3,829**	**5,938**	5,650
Roads and surfaces	**24,384**	**10,586**	**13,798**	12,408
Machinery and equipment	**21,666**	**6,089**	**15,577**	4,790
Office furniture and equipment	**576**	**470**	**106**	85
Projects under construction	**18,903**	**—**	**18,903**	15,268
	$215,492	**$48,046**	**$167,446**	$151,708

6. LOANS FROM CANADA

	1984	1983
	(in thousands of dollars)	
Interest bearing loan at 7.5% repayable in blended annual instalments until December 31, 2000	**$ 4,667**	$ 4,816
Less: current portion	**161**	149
	4,506	4,667
Non-interest bearing loans with indefinite due date	**76,494**	76,494
Accrued interest on loans not due and payable	**27,377**	27,377
	$108,377	$108,538

The non-interest bearing loan and accrued interest not due and payable were transferred to the Corporation by C.P.C. effective July 1, 1983. This loan replaced an interest bearing loan of the same amount on which interest of $27,377,000 had accrued to December 31, 1980.

Principal repayment requirements over the next five years amount to $161,000 in 1985, $173,000 in 1986, $185,000 in 1987, $199,000 in 1988 and $214,000 in 1989.

7. COMMITMENTS AND CONTINGENCIES

At December 31, 1984 the estimated cost of completing all approved capital projects was $32 million of which the Corporation had contractual obligations at that date for $11.8 million. The latter amount includes $8.0 million which represents the balance due to Canada Harbour Place Corporation for the construction of a cruise ship facility at Canada Place in Vancouver, B.C. The Corporation paid $14.8 million of the $22.8 million contract cost in 1984.

Claims aggregating approximately $2 million in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been made against the Corporation. In the opinion of management, the final outcome of such claims will not result in any material loss.

The Corporation has long-term lease obligations for office accommodation aggregating $1,717,000 for the period from January 1, 1985 to October 31, 1988 at a base annual rent of $448,000. The obligations also call for payment of a pro-rata share of operating costs estimated at $65,000 for 1985.

8. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

In addition to the loans from Canada disclosed in Note 6 and the payments to Canada Harbour Place Corporation referred to in Note 7 the Corporation paid $1.7 million to Canada Ports Corporation as its share of that Corporation's head office expense.

Board of Directors:

Captain Hector D. Perry
Chairman
Vancouver Port Corporation
Ganges Island, B.C.

Cecil S. Cosulich
Vice-Chairman
President of RivTow Straits Ltd.
Vancouver, B.C.

Alan F. Campney*
Barrister and Solicitor
Vancouver, B.C.

Norman G. Cunningham*
President,
British Columbia Maritime Employer's Association
Vancouver, B.C.

Jane E. Frost*
Vancouver, B.C.

Donald P. Garcia
Vancouver, B.C.

Robert H. Lee
President,
Prospero International Realty Inc.
Vancouver, B.C.

*Member, Audit Committee

Officers of the Corporation:

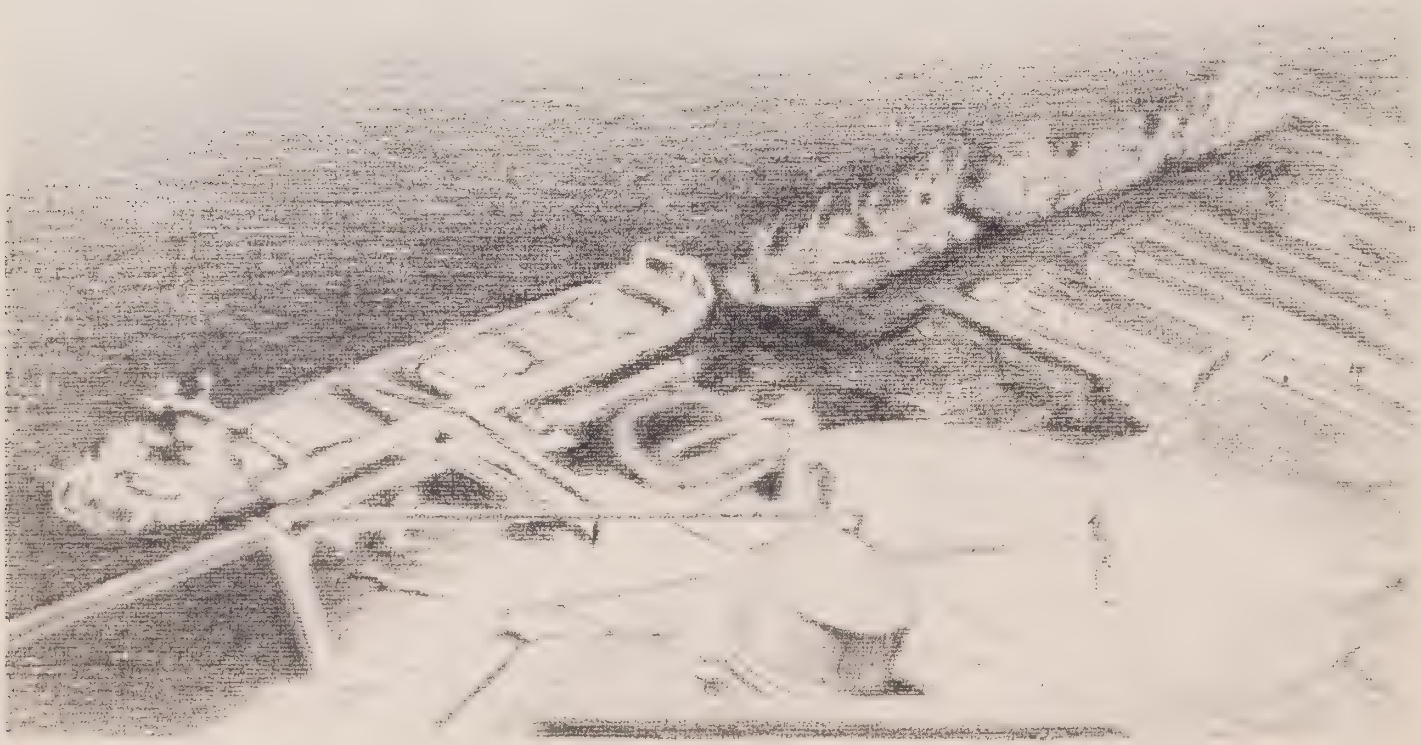
Captain Hector D. Perry
Chairman

Francis J. MacNaughton
Port Manager and
Chief Executive Officer

Sharon L. Matthews
General Counsel and
Corporate Secretary

Donald G. Buggie
Vice President,
Finance and
Administration

Andrew A. Shaw
Vice President,
Operations



Montreal Port Corporation

Annual Report 1984

Message from the Chairman

This year marked the completion of the Port of Montreal's first full year of operations under its status as a local port corporation, effective July 1, 1983 and a number of events during 1984 allow us to point with pride to the port's successful operations.

Continuing the upswing from 1983, total traffic this year approached 24 million tonnes. It was our second consecutive record year in containerized cargo. In addition, the combined tonnages of breakbulk and containerized cargo brought general cargo traffic to a new peak; results in other categories of cargo, with the exception of grain, were satisfactory.

Joint efforts with our colleagues in the Montreal Port community continued to promote the Port of Montreal's numerous advantages. The year also saw the inauguration of four new regular shipping services, linking Montreal to various ports in Europe and West Africa. Moreover, another line, long-established in Montreal, expanded its services considerably. Montreal enjoys strong appeal, especially on the North Atlantic route. We enjoy an enviable share of the market, and will continue our aggressive competitive efforts. To support the shipping lines in their efforts to further stimulate traffic at the Port of Montreal, the Board of Directors, upon recommendation from the Port Manager and Chief Executive Officer, decided to freeze tariffs, rents, and other port charges for 1985. The financial position of the Montreal Port Corporation allows such a measure without jeopardizing our projects for port facility expansion and improvement.

The Corporation's sound financial record, evident from the financial statements in this report, include an extraordinary item of a $6.2 million net gain from land transfers. Following a Cabinet decision in December 1977, the Port of Montreal engaged in a number of real estate transactions with Public Works Canada within the framework of the mandate given to the Vieux Port of Montreal. Although the final transfers were effected in October 1983, the agreement and ensuing financial transactions were completed in 1984; hence the net gain from these transfers is included in this year's financial statements. The lands transferred by the port totalled 79.5 hectares, located mainly in the historical area of the Port and at Cité du Havre.

By mid-1985, the port will have achieved another important stage in the development of its master plan for the layout and expansion of port facilities over the next 30 years. The Board of Directors will then have the results of a study on the possibilities of expanding on the Island of Montreal.

This report follows an earlier study of traffic forecasts, capacity requirements, and plans for expansion downstream from the Island of Montreal. In the short and middle-term, the Port of Montreal's five-year plan calls for some $200 million to be invested in improving facilities and services.

The Board of Directors is committed to ensuring the Port of Montreal's success, particularly in view of the port's contribution to the well-being of the citizens of greater Montreal, the Province, and Canada as a whole. The Port of Montreal's achievements are a source of satisfaction, pride, and motivation for a highly-committed and highly-competent management and staff, whose valuable contributions are sincerely appreciated.

Roméo Boyer

Roméo Boyer
Chairman of the Board

Message from the Port Manager and Chief Executive Officer

The Port of Montreal's overall achievements in 1984 surpassed those of the preceding year, particularly as the expanding North American economy stimulated traffic in many cargo categories.

The Montreal Port Corporation's financial statements attest to its financial well being. Revenue from operations in 1984 were $57.3 million, an increase of $1.6 million over 1983. Operating expenses totalled $46.9 million in 1984, compared to $45.8 million the previous year; net income from operations was $10.4 million, up from $9.9 million in 1983. Investment income grew from $8.7 million in 1983 to $10.2 million in 1984. Net income, which was $18.6 million in 1983, rose to $20.6 million in 1984, to which was added an extraordinary net gain of $6.2 million from land transfers.

Capital expenditures totalled $23.7 million in 1984, with major efforts focused on the expansion of the Cast and Racine container terminals, improvements to other cargo handling facilities, the upgrading of Grain Elevator No. 4, the purchase of four locomotives and improvement to our railway system, and also the acquisition of real property.

The port's total traffic in 1984 rose 4.7% over 1983 to 23.8 million tonnes, despite a reduced harvest on the prairies and a consequent drop in overall grain shipments. General cargo set an all-time record of 5.2 million tonnes, a rise of 11.1% over the previous year. The strength of the American and Canadian dollar distinctly favoured the growth of general cargo imports to North America. After a consecutive three-year reduction, breakbulk cargo increased to 1.1 million tonnes in 1984, a growth of 13.1% over 1983.

This year marked the Port of Montreal's second consecutive record year in containerized traffic, exceeding for the first time four million tonnes and 400,000 20-foot equivalent units (TEU). Increasing 10.6% in 1984, containerized traffic totalled 4.1 million tonnes or 428,747 units (TEU).

Traffic in petroleum products reached a ten-year high of 7.9 million tonnes in 1984, up from the preceding year's 7.8 million tonnes. Although inbound refined petroleum products grew in 1984, outbound domestic crude oil contributed most to total traffic growth in these commodities over the past two years, due to a federal program launched in 1982 to encourage eastern refiners to use more crude oil from western Canada.

The Port of Montreal held its market share in grain shipments, despite this year's disappointing prairie harvest and a resulting drop of 10.8% to 5.8 million tonnes in 1984. Traffic in other dry and liquid bulk cargo commodities rose to 4.9 million tonnes in 1984, an increase of 29.5% over 1983. Increases in solid bulk shipments accounted for this overall gain, rising in volume by 34% during 1984. The sharp recovery in this sector is directly linked to the steel, construction, and agricultural and food industries.

Finally, the Port of Montreal greeted 24,309 passengers in 1984, compared to 21,651 the previous year.

Five-Year Capital Expenditure Program
The Port of Montreal's five-year capital expenditure program calls for a $200 million expenditure on various projects to expand, renovate and upgrade its facilities. The most important of these will relate to our container terminals and other cargo handling facilities, grain elevators and railway system.

Prospects
The Port of Montreal expects 1985 to be its third consecutive record year in containerized traffic. Breakbulk cargo, after recovering in 1984, should remain the same, although grain shipments in 1985 will continue to be affected by the previous crop year.

Traffic in petroleum products will probably decrease unless the program aimed at encouraging eastern refiners to use crude oil from western Canada is renewed at the end of June, 1985. Finally, we expect little change in traffic in other liquid and dry bulk, though there may be a moderate increase in the latter.

We fully expect to hold, and perhaps even increase, our already enviable share of the markets served by the North Atlantic route. The advantages of the port's location and its excellent facilities ensure efficient economical service, especially between markets in northern Europe and the Mediterranean and central and western Canada, as well as the American Northeast and Midwest.

Industrial Stability
The three-year collective agreement reached last July between local 375 of the International Longshoremen's Association and the Maritime Employers Association provides another reason for confidence in the future. The agreement, signed after intensive labour management negociations, strengthens the industrial stability at the port and undoubtedly plays a major role in our success.

Finally, it is important to highlight the talented men and women on whom the Port of Montreal relies to ensure its vitality. Once again, we take this opportunity to express our sincere gratitude to all our employees, as well as to our colleagues in the shipping industry, for their invaluable contribution to the Port of Montreal's success.

Dominic J. Taddeo

Auditors' Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

We have examined the statements of income, deficit and changes in financial position of the Montreal Port Corporation for the fiscal year ended December 31, 1984 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1984 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with Part XII of the Financial Administration Act and regulations thereto, the charter and by-laws of the Corporation and any directive given to the Corporation.

Samson Bélair

Chartered Accountants

Montreal,
February 12, 1985

Balance sheet
as at December 31

ASSETS

(thousands of dollars)

	1984	1983
Current		
Cash	**$ 644**	$ 820
Investments (note 3)	**67,116**	52,115
Accounts receivable	**9,469**	9,699
Materials and supplies	**733**	797
	77,962	63,431
Long-term		
Investments (note 3)	**38,984**	39,259
Amounts receivable	**578**	1,023
	39,562	40,282
Fixed (note 4)	**119,626**	109,904
	$237,150	$213,617

LIABILITIES

(thousands of dollars)

	1984	1983
Current		
Accounts payable and accrued liabilities (note 5)	**$ 9,277**	$ 11,133
Grants in lieu of municipal taxes	**5,496**	6,540
	14,773	17,673
Long-term		
Accrued employee benefits	**5,277**	5,331
Loans from Canada (note 6)	**239,208**	239,527
	244,485	244,858

EQUITY OF CANADA

Contributed capital	**19,243**	19,243
Deficit	**(41,351)**	(68,157)
	(22,108)	(48,914)
	$237,150	$213,617

On behalf of the Board:

Roméo Boyer — Chairman

Dominic J. Taddeo — General Manager and Chief Executive Officer

Statement of income
for the year ended December 31

	(thousands of dollars) 1984 (12 months)	1983 (6 months)
Revenue from operations	**$57,325**	$30,714
Operating and administrative expenses	**35,829**	18,074
Depreciation	**6,298**	2,586
Grants in lieu of municipal taxes	**4,287**	2,158
Interest expense on loans from Canada	**542**	282
	46,956	23,100
Net income from operations	**10,369**	7,614
Investment income	**10,232**	4,545
Net income before extraordinary item	**20,601**	12,159
Extraordinary item		
Net gain on disposal and devaluation of fixed assets (note 10)	**6,205**	
Net income for the year	**$26,806**	$12,159

Statement of deficit
for the year ended December 31

	(thousands of dollars) 1984 (12 months)	1983 (6 months)
Balance at beginning	**$68,157**	
Deficit transferred from Canada Ports Corporation (note 1)		$80,316
Net income for the year	**26,806**	12,159
Balance at the end	**$41,351**	$68,157

Statement of changes in financial position
for the year ended December 31

	(thousands of dollars) 1984 (12 months)	1983 (6 months)
Funds provided		
Operations		
Net income before extraordinary item	**$20,601**	$12,159
Items not requiring an outlay of funds		
Depreciation	**6,298**	2,586
Loss on disposal of fixed assets	**647**	
Other	**275**	63
	27,821	14,808
Proceeds on sale of fixed assets	**13,244**	
Proceeds on sale of long-term investment		6,814
Other	**390**	68
	41,455	21,690
Funds employed		
Additions to investments		7,661
Additions to fixed assets	**23,705**	4,864
Loans from Canada currently payable	**319**	301
	24,024	12,826
Increase in working capital	**17,431**	8,864
Working capital at the beginning of the year	**45,758**	
Working capital transferred from Canada Ports Corporation (note 1)		36,894
Working capital at the end of the year	**$63,189**	$45,758

Notes to financial statements
for the year ended December 31, 1984

1. STATUS

The Port of Montreal was previously under the jurisdiction of the Canada Ports Corporation, formerly the National Harbours Board; as at July 1, 1983, the Montreal Port Corporation was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act.

Following section 6.5 of the Canada Ports Corporation Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation, as it is for the Montreal Port Corporation.

Total transfer of assets less assumed liabilities resulted as of July 1, 1983 in an excess of liabilities over assets represented by contributed capital of $19,243,000 and a deficit in the amount of $80,315,689. The working capital at July 1, 1983 amounted to $36,894,158.

Fixed assets were recorded at their original cost with related accumulated depreciation and the investments are recorded at their original cost plus amortized discount or less amortized premiums.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed assets and accumulated depreciation

The fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated on the straight-line method for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension costs

All permanent employees of the Montreal Port Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Montreal Port Corporation. These contributions represent the total liability of Montreal Port Corporation and are recognized in the accounts on a current basis.

c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

d) Employee benefits

The Montreal Port Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with Montreal Port Corporation policy.

3. INVESTMENTS

Funds are invested in Government of Canada direct and guaranteed securities which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. The market value of the short-term investments represents its amortized cost, as that of the long-term investments is $37,694,896 ($37,890,394 in 1983).

4. FIXED ASSETS

(in thousands of dollars)

	Depreciation rates	Cost	Accumulated depreciation	Net value 1984	Net value 1983
Land (note 10)		$ 17,967	$	**$ 17,967**	$ 20,017
Dredging	2.5%	15,325	11,273	**4,052**	4,163
Berthing structures	2.5%	58,474	35,002	**23,472**	22,779
Buildings	2.5%	59,949	26,273	**33,676**	32,815
Utilities	5%	11,985	5,519	**6,466**	5,732
Roads and surfaces	2.5%-10%	21,796	7,517	**14,279**	8,284
Machinery and equipment	5%-20%	41,356	24,783	**16,573**	9,068
Office furniture and equipment	20%	764	544	**220**	209
		227,616	110,911	**116,705**	103,067
Projects under construction		2,921		**2,921**	6,837
		$230,537	$110,911	**$119,626**	$109,904

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are amounts for deferred revenues for $272,380 ($272,330 in 1983) and for the current portion of long-term liabilities for $319,403 ($583,545 in 1983).

6. LOANS FROM CANADA

	(in thousands of dollars) 1984	1983
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in 2000	**$ 8,370**	$ 8 954
Less: Current portion	**319**	584
	8,051	8 370
Non-interest bearing loans with indefinite due date	**132,995**	132 995
Accrued interest on loans not due nor payable	**98,162**	98 162
	$239,208	$239 527

Principal repayment requirements over the next five years amount to:

1985	1986	1987	1988	1989
$319,403	$339,365	$360,576	$383,112	$407,056

7. CONTINGENCIES

Claims aggregating approximately $5,800,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Montreal Port Corporation property and sundry other matters in dispute have been made against the Montreal Port Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material financial liability.

8. CAPITAL EXPENDITURE COMMITMENTS

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $6,300,000.

9. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally of grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

Additionally in 1984, the Corporation in the course of the Vieux-Port de Montréal project, entered into other transactions referred to in note 10.

10. EXTRAORDINARY ITEM

a) In 1981 as well as in 1983, the National Harbours Board through the Port of Montreal effected a land transfer to Public Works Canada.

The Treasury Board gave its approval to this transfer as at November 27, 1984 and the Montreal Port Corporation recorded it in its 1984 accounts as follows:

		(in thousands of dollars)
Fixed assets transfer:		
Net book value		$ 2,827
Consideration received:		
Cash received in 1984	$ 8,800	
Cash received in 1983	1,200	
Land	2,000	
Balance due to Public Works Canada since 1979	1,204	
		13,204
Gain on disposal of fixed assets		10,377

b) The cost of a piece of land, subject to a transaction in 1985 has been decreased by an amount of $4,172,000 following an appraisal by J.A. Marois (1980) Inc. on January 31, 1984

Loss on devaluation of fixed assets	4,172
Net gain on disposal and devaluation of fixed assets	$6,205

Board of Directors:

Roméo Boyer*
Chairman
President of Québec Crane Ltd.
Saint-Lambert (Québec)

Ian C. Campbell*
Vice-Chairman
Retired business executive
Saint-Lambert (Québec)

Léo Beaulieu*/**
Business Administrator
Ville de Laval (Québec)

Roger Bishop
Member, local 375
International Longshoremen's Association
Brossard (Québec)

Yvon Lamarre**
Chairman of the Executive Committee
City of Montréal
Montréal (Québec)

Arnold E. Masters
President of The Maritime Employers Association
Montréal (Québec)

Thomas A. Monti**
Consultant, ResCan
Montréal (Québec)

* Members of the Executive Committee
** Members of the Audit Committee

Officers of the Corporation:

Roméo Boyer
Chairman

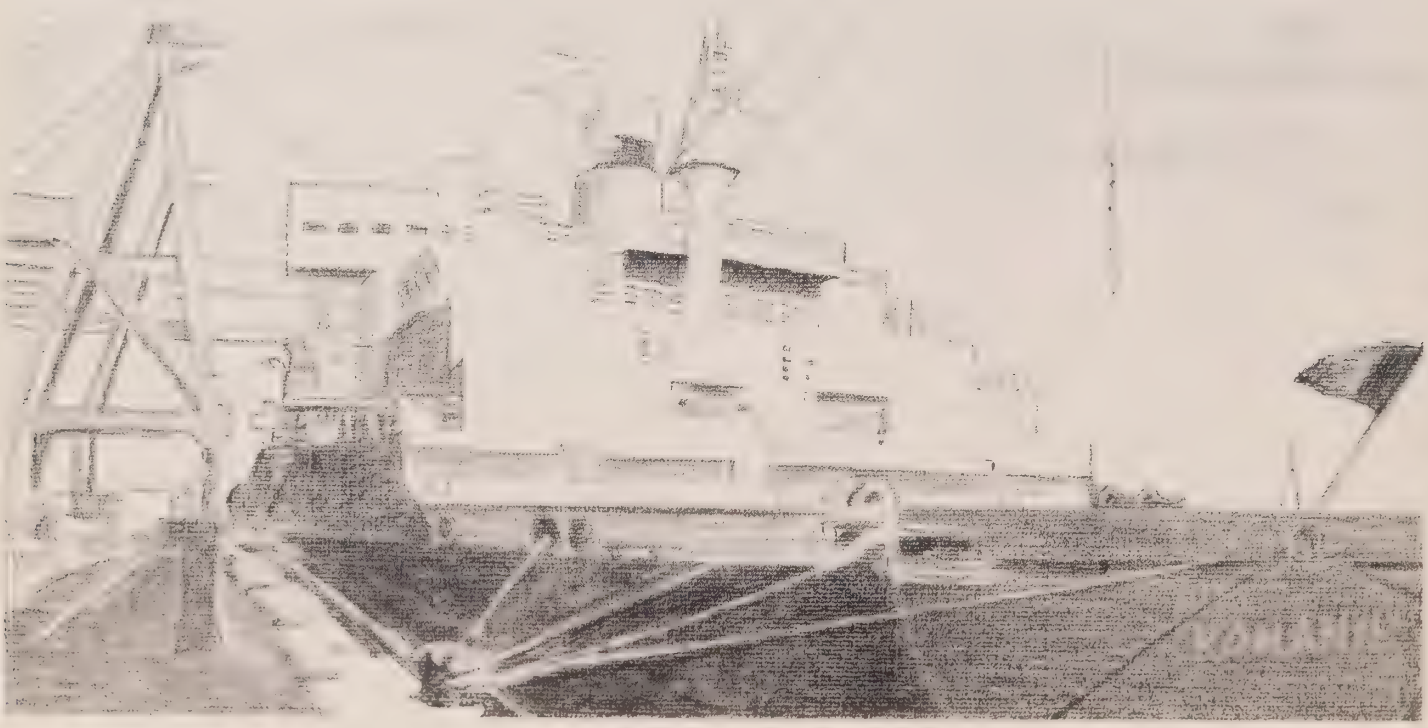
Dominic J. Taddeo
Port Manager and Chief Executive Officer

Dea Hassib
Director, Operations

Marius Landry
Director, Finance and Administration

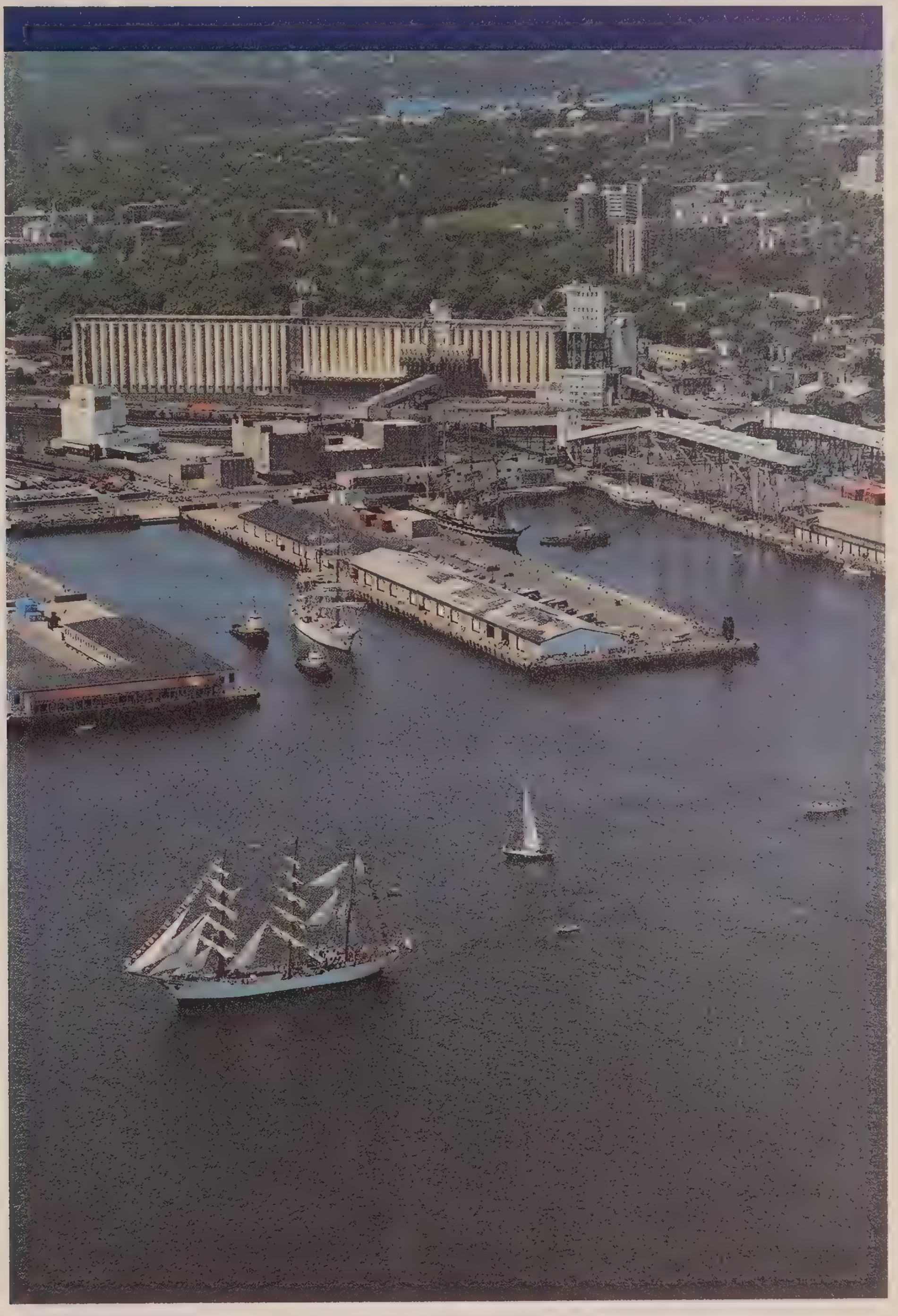
Pierre Legault
Director, Human Resources

Yvan Simard
Director, Planning and Development



Halifax Port Corporation

Annual Report 1984



Message from the Chairman

The Board of Directors is pleased to present the first Annual Report of the Halifax Port Corporation, formed June 1, 1984, in accordance with the *Canada Ports Corporation Act*. The increased autonomy brought about by the formation of a local port corporation at the Port of Halifax has enhanced decision-making at the local level and has streamlined the administrative process.

Following the retirement of the General Manager in June, 1984, the Board approved the appointment of and welcomed David F. Bellefontaine to the position of Port Manager and Chief Executive Officer of the Halifax Port Corporation, effective December 1, 1984.

In June, 1984, a memorable event took place in Halifax Harbour, a sight reminiscent of the exciting days of the last century. The Tall Ships' visit to Halifax was a historic and splendid event. A total of sixty ships tied up at the Halifax wharves which permitted in excess of three hundred thousand spectators to enjoy the magic of a bygone era. The visit of the Tall Ships has certainly promoted the Port of Halifax to the entire world.

We are very pleased with 1984 operating results: total traffic reached a record level, and the financial picture reflected a very favourable position. Containerized cargo increased considerably over 1983, resulting in a gain in market share.

Major capital programs included completion of the grain elevator rationalization and the commencement of a berth expansion project at the Fairview Cove Container Terminal. When completed, it will provide a total berthage length of over 650 metres at Fairview Cove to meet market demands for increased berthing facilities in Halifax.

An increased awareness of future needs is necessary for the port to take effective advantage of opportunities and to develop port facilities accordingly. The proposed redevelopment of the City's south-end emphasizes facilities planning in the port. As well, continued sound relationships with customers and labour remains one of the key objectives of the Corporation.

The Board expresses its sincere gratitude to the dedicated and hard-working employees of the Corporation who have assisted the port in achieving positive results in 1984, and who will ensure that the port remains efficient and competitive in 1985.

The Board wishes to thank Mr. Raymond W. Ferguson, the First Chairman of the Halifax Port Corporation, for his valuable contributions to the port during his term.

R. V. Beck

R.V. Beck
Chairman of the Board

Message from the Port Manager and Chief Executive Officer

Stronger economic climate and the natural and physical advantages of the Port of Halifax combined, resulted in a resurgence in business activity in 1984. The following highlights reflect the results of operations of the Halifax Port Corporation for the seven months ending December 31, 1984.

Highlights of the First Fiscal Period
Revenue from operations totalled $7.0 million, while expenses from operations were $6.6 million. Net income from operations was $0.4 million; net interest income was $0.7 million; total net income amounted to $1.1 million. Capital expenditures for the same period amounted to $4.8 million.

1984 in Review
On a calendar-year basis, revenue from operations was $14 million, compared to $13.3 million in 1983. Expenses from operations totalled $11.8 million, a decrease from $13.0 million in 1983.

Net income from operations was $2.3 million, an increase of $2.0 million from $0.3 million in 1983. Net interest income for the year was $1.0 million, compared to $0.8 million in 1983. Net income was $3.3 million, an increase of $2.2 million from the preceding year. Capital expenditures for 1984 amounted to $6.9 million.

Total port traffic rose 1.8 million tonnes over 1983 to 14.3 million tonnes in 1984, an increase of 14.4%.

Container cargo grew by 37% to 2.0 million tonnes in 1984. The number of 20-foot equivalent units (TEU) rose from 182,396 to 250,370. Not since 1979, when a record 2.1 million tonnes was handled, has the port attained a higher level of container activity.

The port reached a record 25.1 million gross registered tonnage (G.R.T.) of vessels calling at Halifax, compared to 22.2 million in 1983. Average vessel size increased by 7%, to 9,844 G.R.T. in 1984, reflecting a trend toward larger ocean-going vessels.

Receipts of crude and refined oils increased to 5.6 million tonnes over the 4.9 million tonnes in 1983; similarly, outward shipments of refined oils totalled 2.7 million tonnes in 1984, an increase of 24.8% over 1983 volume, all reflecting the upturn in economic activity in 1984.

Capital Expenditures
Capital expenditures totalled $6.9 million; $3.1 million was invested in grain elevator dust control and operating equipment; $3.1 million was spent on the berth expansion project at the Fairview Cove Container Terminal; the remaining $0.7 million went toward recurring equipment and facility replacement projects.

Over the next five years, the port expects to invest $24.5 million in improving its facilities. Major projects include berth expansion at Fairview Cove Container Terminal, and area 29-Pier B Redevelopment. Both projects will considerably improve the port's capability in handling container and other general cargo.

Parade of Sail
The Port of Halifax marked an historic event in 1984 as part of the 450th Anniversary of the Voyage of Jacques Cartier. Sixty sailing vessels called at Halifax between June 8th and June 13th, permitting thousands of spectators to enjoy the magical sailing days of earlier centuries. The Port of Halifax was deeply honoured to host this memorable portion of the visit of the Tall Ships to Canada.

I join the Chairman in his expression of sincere gratitude to the staff of the Halifax Port Corporation for their dedicated service, and to the Waterfront Union Workers and our colleagues in the Maritime Industry. Their efforts ensure that the Port of Halifax remains one of Canada's vital links in the transportation of goods to the world.

D. F. Bellefontaine

Auditors' Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1984, and the statements of income and deficit and changes in financial position for the seven month period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984, and the results of its operations and the changes in its financial position for the seven month period then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the corporation.

Doane Raymond
Chartered Accountants

Halifax, Nova Scotia
January 31, 1985

Balance Sheet
as at December 31, 1984

ASSETS	
Current	
Cash	$ 238,978
Investments (Note 3)	11,683,144
Accounts receivable	2,315,218
Due from Canada	238,502
Materials and supplies	85,416
	14,561,258
Investments (Note 3)	32,985
Amounts receivable	268,499
Fixed (Note 4)	43,397,035
	$58,259,777
LIABILITIES	
Current	
Accounts payable and accrued liabilities	$ 4,129,316
Grants in lieu of municipal taxes	184,634
Deferred revenues	541,879
	4,855,829
Accrued employee benefits	693,154
Loans from Canada (Note 5)	30,556,933
	36,105,916
EQUITY	
Contributed capital	72,136,346
Deficit	(49,982,485)
	22,153,861
	$58,259,777

Commitments (Note 6)

On behalf of the Board:

R. V. Beck
Chairman of the Board

D. Bellefontaine
General Manager
and Chief Executive Officer

Statement of income and deficit
seven months ended December 31, 1984

Revenue from operations	$ 6,959,101
Operating and administrative expenses	5,129,113
Depreciation	906,107
Grants in lieu of municipal taxes	524,400
	6,559,620
Income from operations	399,481
Other income	718,247
Net income	1,117,728
Deficit assumed	(51,100,213)
Deficit, end of period	$(49,982,485)

Statement of changes in financial position
seven months ended December 31, 1984

Working capital derived from	
Operations	
Net income	$ 1,117,728
Depreciation	906,107
Loss on disposal of fixed assets	15,619
	2,039,454
Capital grants	600,408
Proceeds on disposal of fixed assets	9,987
	2,649,849
Working capital applied to	
Additions to fixed assets	4,825,739
Other	93,617
	4,919,356
Decrease in working capital	(2,269,507)
Working capital assumed	11,974,936
Working capital, end of period	$ 9,705,429

Notes to financial statements
December 31, 1984

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to the Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Insurance

Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as workers compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. INVESTMENTS

	Amortized Cost	Face Value
Short term	$11,683,144	$12,089,900

	Amortized Cost	Market Value
Long term	$ 32,985	$ 30,380

4. Fixed assets

	Depreciation Rates %	Cost	Accumulated Depreciation	Net
Land		$18,024,654	$	$18,024,654
Dredging	2.5 - 6.7	2,596,947	2,147,840	449,107
Berthing structures	2.5 - 10	24,230,941	16,070,560	8,160,381
Buildings	2.5 - 10	17,210,957	11,079,540	6,131,417
Utilities	3.3 - 10	2,939,557	1,444,172	1,495,385
Roads and surfaces	2.5 - 10	5,381,534	2,554,277	2,827,257
Machinery and equipment	5 - 100	8,711,720	7,149,424	1,562,296
Office furniture and equipment	20	319,694	152,359	167,335
Projects under construction		4,579,203		4,579,203
		$83,995,207	$40,598,172	$43,397,035

During the seven month period ended December 31, 1984, the Port has recorded in its accounts capital grants towards construction of capital projects totalling $600,408.

5. LOANS FROM CANADA

Non-interest bearing loans with indefinite due date	$25,555,762
Accrued interest on loans	5,001,171
	$30,556,933

The loans from Canada are unsecured.

6. COMMITMENTS

Funds have been committed on capital projects as at December 31, 1984 in the amount of $9,390,801. The full amount is expected to be spent during 1985.

Board of Directors:

Raymond V. Beck*
Chairman
Former General Manager, Halifax Port Corporation
Halifax, Nova Scotia

Rae G. W. Austin*
Vice-Chairman
President of Montebello Realty, former Executive Director of N.S. Housing Commission
Dartmouth, Nova Scotia

Peter G. Green, Q.C.*/***
Barrister & Solicitor
Halifax, Nova Scotia

John E. Lloyd**
Former Member of Parliament, Mayor of Halifax and General Manager of Port of Halifax
Halifax, Nova Scotia

Hugh J. MacLeod**
Former Chairman of N.S. Workers' Compensation Appeal Board
Halifax, Nova Scotia

Brenda Shannon**
Law student, former Alderman of the City of Halifax
Halifax, Nova Scotia

Gerald E. Simmons/*****
Regional Manager of Saguenay Shipping Ltd., former Chairman of Halifax Port Authority
Dartmouth, Nova Scotia

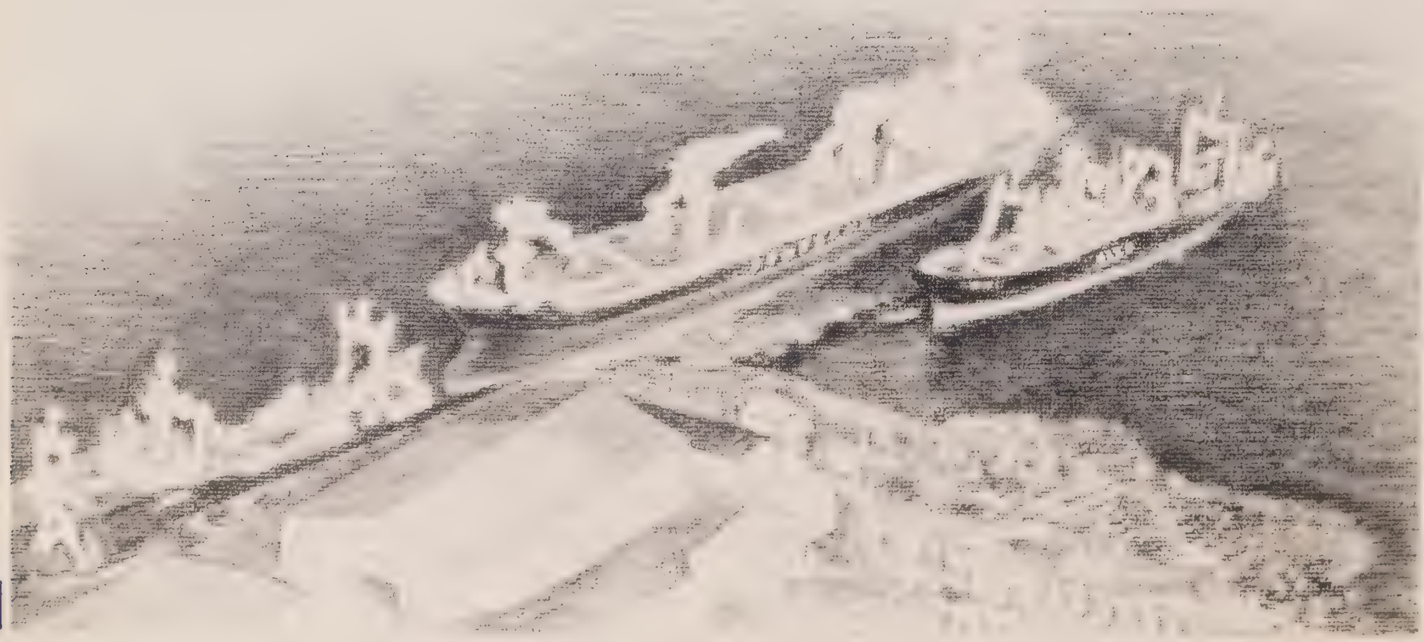
* Member, Executive Committee
** Member, Audit Committee
*** Member, Labour Advisory Committee

Officers of the Corporation:

Raymond V. Beck,
Chairman

David F. Bellefontaine,
Port Manager and Chief Executive Officer

Lorraine E. Brenton,
Corporate Secretary



Prince Rupert Port Corporation

Annual Report 1984

Message from the Chairman

On behalf of the Board of Directors, I am pleased to present the first Annual Report for the Prince Rupert Port Corporation.

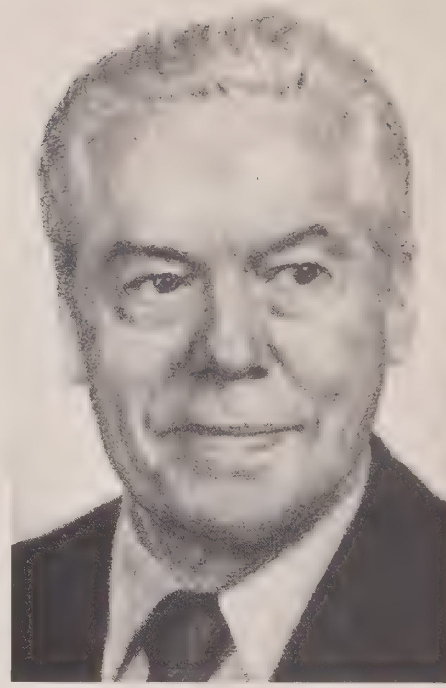
The Port of Prince Rupert was granted local port corporation status, under the Canada Ports Corporation Act, on June 1, 1984, another step in the continuing process toward the development of Prince Rupert as a major West Coast port of regional and national significance. This autonomy allows the Board of Directors greater flexibility and responsiveness to the needs of the port. We look forward to the future with enthusiasm and excitement.

The Prince Rupert Port Corporation plays an important role in Canada's international trade, particularly with our overseas trading partners. New traffic levels were recorded in 1984 and the completed coal terminal on Ridley Island marks the beginning of a new era for the Corporation after several years of construction activity. In 1985, a state-of-the-art grain terminal at Ridley Island will also become operational. The Board of Directors has recently completed a development plan for the remainder of the island and views this development as essential for the port in opening new export possibilities for Canadians.

Fairview Terminal continued its dynamic growth with overall volume growing by 38%. This terminal, as well as Ocean Dock, are the subjects of a study of the port's future as a port of call for cruise ships. Additional planning for the expansion of Fairview and modernization of Ocean Dock are priorities for 1985.

The financial statements reflect the improved earning and profitability of the Prince Rupert Port Corporation. The Board's objective is to plan and execute the port's potentials in the best interest of Canada, our trade partners, and the Corporation.

We would like to take this opportunity to express our appreciation to two original members of the Board, Ms. Rhoda Witherly and Mr. Donald Silversides for their service to the Board and the Corporation.



W.J. Scott
Chairman
of the Board

Message from the Port Manager and Chief Executive Officer

In 1984, the Port of Prince Rupert achieved new records in traffic growth and financial performance. In reporting these accomplishments, we wish to acknowledge our appreciation for the participation of the longshoring and marine industry as well as port users.

Revenues from operations during the port's first seven months activity were $5.9 million, while expenses totalled $5.2 million. Income from operations for the same period amounted to $702,361; net income including interest on income of $400,579 and a small loss on the disposal of fixed assets, totalled $1.0 million. For the full year, revenues from operations totalled $9.5 million, representing a 51% increase over 1983. Expenses from operations in 1984 amounted to $8.8 million, compared to $6.5 million in 1983. Net income from operations for the year was $702,173, compared to a loss of $245,072 in 1983. This significant improvement in income, coupled with interest income of $615,903, yielded a net income of $1.3 million for 1984, a very favourable increase over the net income of $369,996 in 1983.

Total traffic through the port reached an all-time high of 8.1 million tonnes in 1984, a 161% increase over the previous record of 3.1 million tonnes set in 1983. These substantial increases were primarily the result of coal exports from the new terminal on Ridley Island, which comprised 64% of total port traffic since the terminal opened in January, 1984. Shipments for the year exceeded 5.2 million tonnes. Traffic growth and diversification which occurred in 1984 with the commencement of coal shipments was an important milestone in the port's development.

Fairview Terminal shipped a total of 579,887 tonnes in 1984, a 38% increase over the previous year. Lumber traffic through the terminal grew 56% in volume for a total of 391,244 tonnes. Shipments of mineral concentrates also increased by 17% and grain traffic at Fairview rose 15%. Shipments of 1.3 million tonnes of grain through the existing elevator represents a 20% decline in traffic over the record throughput level of 1.6 million tonnes achieved in 1984, although this year's traffic level is the second highest on record. Grain elevator traffic represents 16% of port tonnage. Other important traffic increases occurred in 1984 with a 25% growth in the export of raw logs to a new record of 421,266 tonnes. In addition, the Westar Pulp Mill improved its throughput by 24% over the previous year with shipments of 240,642 tonnes.

During the past three years, total investment in terminal facilities in the port has exceeded $500,000,000 and it would be unrealistic to anticipate that investment levels of that magnitude will continue in the next few years. The port will continue to grow and develop. The Port of Prince Rupert has excellent opportunities for marine-related developments, most of which is expected on Ridley Island. In 1984 the port completed a Ridley Island Development Plan which describes a detailed strategy for the orderly and optimum development of the Island. It ensures the integration of future marine-related industrial areas and support services into an overall plan, and focuses the port's marketing efforts for potential developers.

The port initiated two additional planning strategies in 1984. Recognizing the importance of cruise ship traffic on the British Columbia and Alaska coasts, the port undertook a joint study of these opportunities with the Prince Rupert Convention and Visitors Bureau to define a strategy for both the port and the City of Prince Rupert. A joint study was also initiated in 1984 with CN Rail and the City of Prince Rupert to develop a plan which will guide and increase the opportunities for the development of a mixture of land and marine uses along the waterfront in the inner harbour.

After only seven years of operation, Fairview Terminal is nearing operational capacity. Consequently, an indepth study will be undertaken to assess its expansion potential. Due to the growing use of the port's Ocean Dock, a second study will begin in 1985 to determine how this facility can be rehabilitated or expanded to meet future needs for a general purpose wharf in the inner harbour.

The Port of Prince Rupert is playing an increasingly important role in supporting Canada's international trade.

To grow and mature the port must provide for its users high quality service at a reasonable cost, while attracting new shippers and promoting development opportunities. In meeting these challenges, additional terminal facilities will be required. I feel every opportunity should be provided to the private sector to participate fully. I am confident that the port will be able to build upon the achievements of the past few years and plan an even greater role in serving the growing trade requirements of Western Canada.

K. R. Krauter

K. R. Krauter

Auditors' Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

We have examined the balance sheet of Prince Rupert Port Corporation as at December 31, 1984 and the statements of income and deficit and changes in financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the seven months then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Vancouver, Canada
January 30, 1985

Balance sheet
as at December 31, 1984

ASSETS		
Current Assets		
Cash	$ 61,970	
Investments (note 3)	5,840,910	
Accounts receivable	611,315	
Due from Canada	82,839	
Materials and supplies	73,470	
		$ 6,670,504
Fixed Assets (note 4)		72,919,342
		$79,589,846
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 616,615	
Grants in lieu of municipal taxes	963,822	
Deferred revenues	343,941	
		$ 1,924,378
Long-term Debt		
Loans from Canada (note 5)	38,110,991	
Recoverable contribution from Canada (note 6)	49,511,928	
		87,622,919
EQUITY OF CANADA		
Contributed capital	678,275	
Deficit	10,635,726	
		(9,957,451)
		$79,589,846

On behalf of the Board:

Chairman

K. R. Krauter

General Manager

Statement of income and deficit
seven months ended December 31, 1984

Revenue from operations		$ 5,903,491
Expenses		
Operating and administrative	$4,547,456	
Depreciation	488,843	
Grants in lieu of municipal taxes	164,831	
		5,201,130
Income from operations		702,361
Interest income		400,579
Loss on disposal of fixed assets		(64,772)
Net income		1,038,168
Deficit at beginning of period		11,673,894
Deficit at end of period		$10,635,726

Statement of changes in financial position
seven months ended December 31, 1984

Working capital derived from	
Operations	
Net income	$1,038,168
Items not involving working capital	
Depreciation	488,843
Loss on disposal of fixed assets	64,772
	1,591,783
Capital grants	898,480
Recoverable contribution from Canada	254,259
Proceeds on disposal of fixed assets	37,000
	2,781,522
Working capital applied to	
Additions to fixed assets	1,517,363
Increase in working capital	1,264,159
Working capital at beginning of period	3,481,967
Working capital at end of period	$4,746,126

Notes to financial statements
seven months ended December 31, 1984

1. LOCAL PORT CORPORATION

The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of the Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by the Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets

Fixed assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the asset.

c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

3. INVESTMENTS

Amortized cost	$5,840,910
Market value	$5,857,165

4. FIXED ASSETS

a) Summary

	Depreciation rates %	Cost	Accumulated depreciation	Net
Land	—	$60,090,585	$ —	$60,090,585
Dredging	2.5-6.7	5,177	906	4,271
Berthing structures	2.5-10	8,584,082	1,920,157	6,663,925
Buildings	2.5-10	2,003,625	227,079	1,776,546
Utilities	3.3-10	2,599,285	851,556	1,747,729
Roads and surfaces	2.5-10	2,816,685	1,041,130	1,775,555
Machinery and equipment	5-10	1,715,024	918,039	796,985
Office furniture and equipment	20	107,498	43,752	63,746
		$77,921,961	$5,002,619	$72,919,342

b) Capital grants

During the seven months ended December 31, 1984, the Corporation refunded to the Government of Canada $1,100,000 representing an overcontribution of capital grants and received a capital grant of $652,007 from the Province of Alberta.

5. LOANS FROM CANADA

Non-interest bearing loans with indefinite due date	$27,084,979
Accrued interest on loans not due and payable	11,026,012
	$38,110,991

6. RECOVERABLE CONTRIBUTION FROM CANADA

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The total contribution received and/or receivable as of December 31, 1984 was $49,511,928.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge. The balance of $2,100,000 is repayable on a fixed, blended principal and interest basis over 20 years, commencing on April 1, 1989.

7. RELATED PARTY TRANSACTIONS

During the seven months ended December 31, 1984, the Port received revenue of $580,302 from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment. Accounts receivable as at December 31, 1984 include $255,723 due from Ridley Terminals Inc.

Board of Directors:

W. Joseph Scott*
Chairman
Prince Rupert Port Corporation
Prince Rupert, B.C.

Allan T. Sheppard*
Vice-Chairman
Owner/Manager — Port Edward Marine Services
Prince Rupert, B.C.

William B.M. Rick*
Medical Doctor
Prince Rupert, B.C.

John T. Payne*/**
General Manager — Universal Stores Inc.
Prince Rupert, B.C.

* Executive Committee
** Audit Committee

Michael Z. Florian**
Chief Executive Officer
Prince Rupert Fishermen's Cooperative Association
Prince Rupert, B.C.

John D. McNish**
Manager — Credit Bureau of Prince Rupert Ltd.
Prince Rupert, B.C.

Dolores D. MacIntosh
Property Manager
Prince Rupert, B.C.

Officers of the Corporation:

W. Joseph Scott,
Chairman

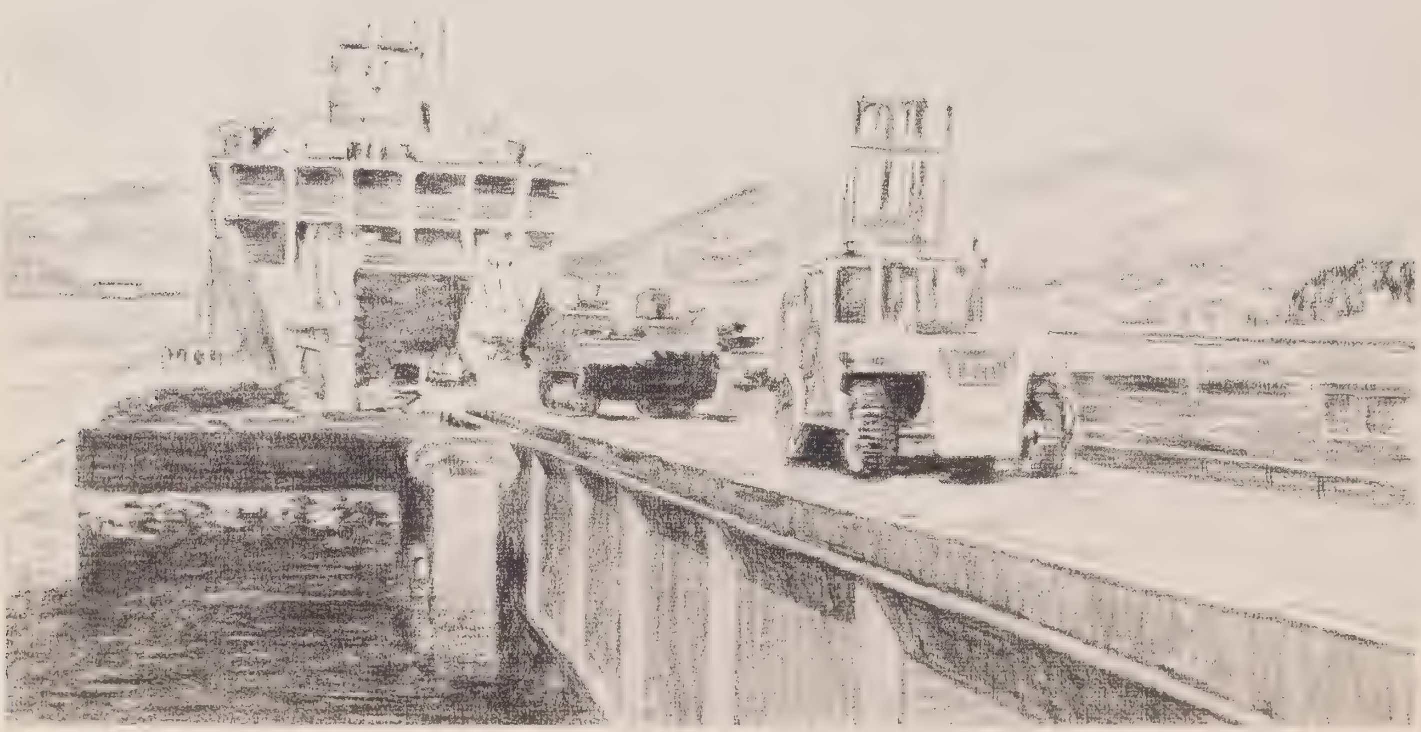
Kenneth R. Krauter,
Port Manager and
Chief Executive Officer

Raymond L. Nesbitt,
Manager,
Administration

Brian D. Denton,
Manager,
Engineering

R. Adam McBride,
Manager,
Finance

Michael Gray,
Manager,
Operations



Port of Quebec Corporation

Annual Report 1984

Message from the Chairman

The Board of Directors is pleased to present the first Annual Report of the Port of Quebec Corporation.

Our national significance and financial viability, combined with strong local interest in its management, enabled the Port of Quebec to attain the local port corporation status on June 1, 1984. The additional authority in property management, rate-setting and contracting and tendering allowed the port to respond rapidly to the needs of our clients and users.

As the farthest inland deep-water port on the St. Lawrence River, capable of receiving vessels of more than 150,000 deadweight tons, Quebec offers many advantages to shippers of bulk cargo. The increase in tonnage of bulk goods handled in 1984 underlines the port's role as the principal transshipment point between ocean and river navigation. Equally encouraging is the rise in shipments of general cargo in 1984, making Quebec eastern Canada's leading port for lumber and dairy exports.

The Port of Quebec recorded a solid financial performance in 1984 as reflected in its financial statements.

Major projects include the modernization of the grain terminal operated by Bunge of Canada Ltd., which now offers a facility for self-unloading vessels. In the general cargo category, the dairy products terminal at Anse-au-Foulon was enlarged to handle anticipated additional tonnage when the Canadian Dairy Commission designated the Port of Quebec as the distribution point for skimmed milk powder in the province.

The use of larger vessels and the growing importance of intermodal links in maritime transportation orientate the port's future development toward the creation of facilities and services capable of rapidly transshipping large volumes of cargo. The port welcomed the recommendation published in September 1984 by the Environmental Commission created to examine the Port of Quebec's proposed expansion at Beauport. The report determined that the construction of 42.5 hectares of deep water port facilities would not unduly harm the bio-physical environment. The site is sheltered from strong currents, ice and wind and could receive vessels of 200,000 deadweight tonnes.

The Board of Directors would like to thank its employees and colleagues in the maritime industry for their ongoing contribution to the development of our port and region.

Jacques E. Fortier
Chairman of the Board.

Message from the Port Manager and Chief Executive Officer

The port performance as reflected in its financial statements is encouraging. These results show operating revenues of $8.5 million, compared to operating expenses of $6 million for the seven-month period ending December 31, 1984. Total net income, including interest income of $2.5 million, amounted to $4.9 million. During the June to December period, 1984 capital expenditures totalled $2.7 million.

1984 in review

Financial results for the full year show an equally-healthy picture, with operating revenues of $11.7 million, operating expenses of $10 million and net income of $1.7 million. Total net income was $5.7 million, including interest income of $4 million. Capital expenditures during 1984 totalled $5.1 million.

Strong shipments of minerals and petroleum products generated a 14% increase in tonnage at the port in 1984. The port handled a total of 17.7 million tonnes of cargo, an increase from 15.6 million tonnes in 1983.

Economic recovery and a stronger U.S. steel industry resulted in a major upturn in the handling of bulk minerals at the Beauport terminal for solid bulk cargo. A total of 1.5 million tonnes of minerals was shipped through the port, more than double the 1983 figure. In the liquid bulk category, the volume of petroleum products increased by nearly 2 million tonnes to a total of 6.9 million tonnes in 1984, largely due to intensified activity at the Ultramar of Canada Ltd. Saint-Romuald refinery. The company has upgraded its refining capacity to convert the residue from crude distillation, which otherwise would be sold as heavy oil, into lighter products such as gasoline now marketed through an expanded distribution system. The investment, which was completed in August 1983, will have a long-term stabilizing effect on activities at Ultramar's private pier.

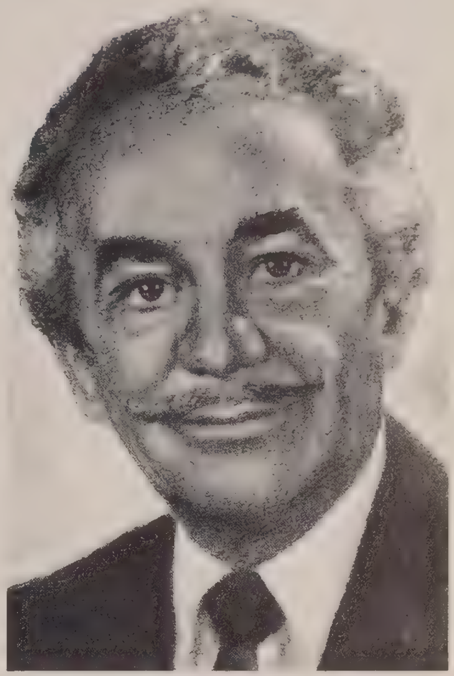
Grain tonnage in 1984 decreased to 8.1 million tonnes compared to 8.5 million tonnes in 1983. Leaders in grain-handling technology, Bunge of Canada Ltd. and the Port of Quebec Corporation completed a new facility for self-unloading vessels in 1984, increasing vessel unloading capacity by 150%. Other improvements to the grain terminal, such as the construction of a high-speed unloading facility for unit trains are also part of this $14.5 million joint investment program, which is contributing to Bunge's record of performance in export grain handling.

In 1984, the port surpassed its 500,000 tonnes goal in the shipment of general cargo, which ensured a year of full employment for the port's longshoremen. Export of dairy products increased by 57% to a total of 190,000 tonnes. The Port of Quebec Corporation invested nearly $2 million to enlarge Shed 101 by 5,550 square metres, in order to provide controlled-temperature storage for this additional tonnage moving through the Anse-au-Foulon general cargo terminal. The Canadian Dairy Commission designated the Port of Quebec as the main terminal for dairy products in the Province of Quebec, which would result in an additional cargo of 40,000 tonnes per annum.

The port continued to gain in popularity as a port of call for cruise vessels, welcoming 15,400 passengers, an increase of 7% over 1983.

In general, 1985 is expected to be a year of consolidation at the Port of Quebec with 1984 tonnage levels maintained. The outlook is promising for bulk cargo such as minerals and petroleum, while in the general cargo category, shipments of dairy products should rise slightly. Capital expenditures of $7,445,000 are budgeted for 1985. The major project will involve the upgrading of shed space for general cargo at the Estuary sector. The Port of Quebec expects to invest $89 million over the next five years in the construction of new facilities, principally at Beauport, a site which offers major competitive advantages of deep water and excellent intermodal links.

A review of 1984 at the Port of Quebec would not be complete without mentioning the Tall Ships celebrations held to mark the 450th anniversary of Jacques Cartier's discovery of Canada, and the 73rd annual convention of the American Association of Port Authorities.



The administrative autonomy conferred on the Port of Quebec by the creation of a local port corporation in 1984, enhanced our participation in the maritime community to develop an exceptional port to meet its full commercial potential.

Henri Allard

Henri Allard

Auditors' Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

We have examined the balance sheet of the Port of Quebec Corporation as at December 31, 1984, the statement of income and deficit and the statement of the changes of the financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1984, and the results of its operations and the changes of its financial position for the seven month period then ended in accordance with generally accepted accounting principles.

Further in our opinion, the transactions of the Corporation which have come to our notice during our audit of the financial statements were, in all important aspects, consistent with the Financial Administration Act and its regulations, the Canada Ports Corporation Act and the letters patent and by-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Quebec City, Quebec
February 20, 1985

Balance Sheet
as at December 31, 1984 (Established in accordance with the Canada Ports Corporation Act)

ASSETS		
Current		
Cash	$ 288,267	
Investments (quoted market price: $30,341,504)	30,205,593	
Accounts receivable	5,479,237	
Materials and supplies	62,986	$36,036,083
Investments		
Canada government bonds (quoted market price: $6,468,502)		6,571,166
		42,607,249
Fixed (note 3)		41,031,689
		$83,638,938
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 2,059,188	
Grants in lieu of municipal taxes	456,450	
Deferred revenues	710,067	$ 3,225,705
Long-term		
Accrued employee benefits		739,700
		3,965,405
EQUITY OF CANADA		
Contributed capital	107,251,631	
Deficit	27,578,098	79,673,533
		$83,638,938

On behalf of the Board:

Henri Allard

Chairman

General Manager and
Chief Executive Officer

Statement of income and deficit
for the seven months ended December 31, 1984

Revenue from operations		$ 8,509,154
Expenses		
Depreciation	$1,097,127	
Administrative and operating expenses	4,381,969	
Grants in lieu of municipal taxes	586,749	6,065,845
Income from operations		2,443,309
Other income		
Investment income		2,458,436
Net income		4,901,745
Deficit transferred from Canada Ports Corporation at beginning of period		32,479,843
Deficit at end of period		$27,578,098

Statement of changes in financial position
for the seven months ended December 31, 1984

Source of working capital		
Operations		
Net income		$ 4,901,745
Items not affecting working capital		
Amortization of discount on Canada government bonds	$ (15,359)	
Depreciation	1,097,127	
Loss on disposal of fixed assets	4,586	
Accrued employee benefits	(116,500)	969,854
		5,871,599
Proceeds on disposal of fixed assets		1,751
		5,873,350
Application of working capital		
Additions to fixed assets		2,703,926
Increase in working capital		3,169,424
Working capital transferred from Canada Ports Corporation at beginning of period		29,640,954
Working capital at end of period		$32,810,378

Notes to financial statements
for the seven months ended December 31, 1984

1. INCORPORATION

The Port of Quebec Corporation was established June 1, 1984, under s. 6.2(1) of the Canada Ports Corporation Act. On that date, in accordance with the Canada Ports Corporation Act, the assets, liabilities and equity of the Port of Quebec were transferred to the Port of Quebec Corporation at the book value shown in the accounts of the Canada Ports Corporation as at May 31, 1984.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Investments

Investments are direct and guaranteed securities of Canada. They are shown at amortized cost and the premium or discount is amortized over the periods to maturity.

b) Fixed assets

Fixed assets are recorded at cost, except for those transferred from Canada to the Corporation, which are recorded at appraised value or at the fair market value determined at the time of transfer. Grants for capital projects received from Canada and third parties are credited directly at the cost of the related fixed assets.

Depreciation is calculated according to the straight-line method, once the asset becomes operational, for the entire year, using the following annual rates:

Dredging	2.5 - 6.7%
Berthing structures	2.5 - 10%
Buildings	2.5 - 10%
Utilities	3.3 - 10%
Roads and surfaces	2.5 - 10%
Machinery and equipment	5 - 100%
Office furniture and equipment	20%

c) Cost of pension plan

The Public Service Superannuation Plan, administered by Canada, covers all permanent employees of the Corporation. These employees and the Corporation must contribute to this plan. The annual contributions represent the liability of the Corporation in this regard and are applied against the operating expenses for the current business year.

d) Insurance

The Port of Quebec Corporation assumes all liability with respect to compensation claims for occupational injury. The expenses that may result are applied in the year in which they can reasonably be estimated.

e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is determined based on the estimated municipal assessment, adjusted in accordance with the Municipal Grants Act. The grants are paid after they have been audited by the Municipal Grants division of the department of Public Works. Any subsequent adjustment is recorded in the accounts of the business year in which the final amount is remitted.

f) Employee benefits

Each year, the Corporation accrues in its accounts the estimated liability that results from benefits for the termination of employment, vacation, sick leave and compensatory leave for overtime; these benefits are payable to the employees in subsequent years under the collective labour agreements or according to corporate policy.

3. FIXED ASSETS

	Cost Price	Accumulated Depreciation	Net Amount
Land	$11,043,602	$	$11,043,602
Dredging	4,561,341	3,839,064	722,277
Berthing structures	21,792,125	15,078,150	6,713,975
Buildings	28,494,520	11,384,178	17,110,342
Utilities	3,206,207	1,691,713	1,514,494
Roads and surfaces	5,226,635	2,156,309	3,070,326
Machinery and equipment	360,919	329,956	30,963
Office furniture and equipment	201,624	113,107	88,517
Works under construction	737,193		737,193
	$75,624,166	$34,592,477	$41,031,689

4. CONTINGENCIES

Claims totalling some $5.5 million have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. These amounts do not appear in the financial statements. In the Corporation's view, its position is defensible and these claims should not result in any material financial liability.

Board of Directors:

Jacques E. Fortier, c.a.
Chairman

Margo Brousseau
Vice Chairman

Members:
Michel Bérubé
Edward J. Brennan
Paul Lessard
Charles Rondeau
Jean-Claude Morissette

Executive Officers:

Jacques E. Fortier, c.a.
Chairman

Margo Brousseau
Vice Chairman

Edward J. Brennan
Member

Henri Allard
General Manager
and Chief Executive Officer

Directors:

Jean Lépine
Engineering

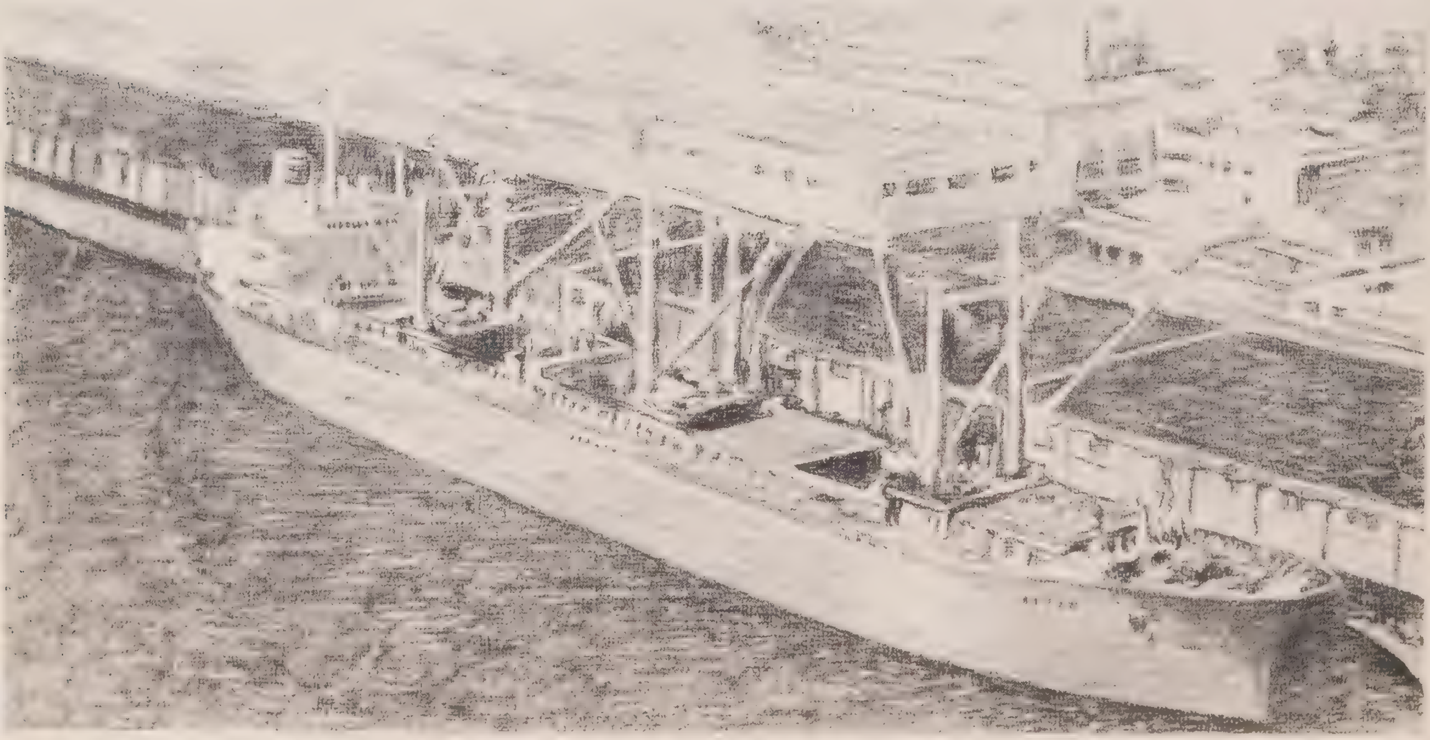
Lauréat Mercier
Finance and
Administration

Rodrigue Brillant
Human Resources

Louis-Philippe Cormier
Planning and
Development

Yvon Bureau
Operations

Dave Johanson
Communications



Canada Ports Corporation

Annual Report 1984

1 The Port of St. John's
2 The Ports of Chicoutimi/ Baie des Ha! Ha!
3 The Port of Sept-Iles
4 The Port of Trois-Rivières
5 The Port of Saint John
6 The Port of Churchill
7 The Port of Belledune
8 Port Colborne Elevator
9 Prescott Elevator

Canada Ports Corporation's non-corporate ports accounted for 12.2% of the traffic handled at all Ports Canada facilities in 1984, an increase of 1% over the 1983 level of 8.7 million tonnes. Traffic at Ports Canada as a whole was below budget by 6.5% (5.2 million tonnes), while traffic at non-corporate ports was below budget by 17% (1.9 million tonnes). Only the ports of St. John's and Belledune achieved 1984 targets through increased petroleum products and phosphate rock, respectively.

Below-budget performance was a result of commodity flows which account for significant portions of traffic at the non-corporate ports: the ports of Saint John, Trois-Rivières, Prescott, Port Colborne and Churchill handled between 10% and 73% less grain than forecast, due primarily to the summer drought, the Valleyfield bridge damage, and some difficulty with unit train services at Trois-Rivières.

Potash handled by the Port of Saint John was below budget by over 80% due to difficulties at New Brunswick potash mines. Forest products decreased at Saint John and Trois-Rivières, due to industry decisions. Although petroleum products were generally above budget, particularly at Saint John (110%), some ports were below budget, as a result of a variety of factors including declines in imports and distribution.

A general decline in coal exports had an adverse effect on projected transshipment traffic, especially for coal at Sept-Îles. Container traffic at the Port of Saint John was 8% below budget.

Lower-than-budgeted traffic for 1984 is reflected in Canada Ports Corporation's financial performance indicators.

The Corporation continued its efforts to improve efficiency and productivity. The total workforce (excluding local port corporations') was reduced from 393 at the beginning of 1984 to 373.

Financial Overview

The ports of Halifax, Québec and Prince Rupert were established as local port corporations effective June 1, 1984. This financial overview excludes results of ports after they obtain local port corporation status.

Revenue from Operations

The Corporation's 1984 operating revenues were affected by lower activity in the grain industry. However, this was partially offset by new sources of revenue, including the Potash Terminal at the Port of Saint John which began operation in 1984. On balance, the operating revenues of the Canada Ports Corporation decreased 4.9% to $27.2 million in 1984.

Operating Expenses

Savings in manpower costs from restraint programs and lower grain activity allowed the Corporation to maintain its overhead cost base at the same level as 1983. Conversely, depreciation and interest costs increased as a result of the capital investment program.

Investment Income

Investment income of $8.2 million reflects returns on higher inflows of funds from operations and deferrals of capital and operating expenditures. Consequently, the investment base increased from the 1983 level.

Net Income

The net income from non-corporate ports in the Corporation in 1984 was $4.3 million. The net income of the ports of Halifax, Québec and Prince Rupert, part of the Corporation for the first five months of the years, added another $2.9 million, for a total income of $7.2 million. By comparison, the 1983 income of the same ports that remained within the Corporation amounted to $5.2 million; this income increased by a further $22.7 million, being the net profit of all the local port corporations before they were granted local port corporation status.

In addition, the Corporation absorbed its 50% share, or $2.7 million, in the loss reported by Ridley Terminals Inc., a partly owned corporation accounted for on the equity basis. Losses incurred since Ridley Terminals Inc. began operation on September 1, 1984 are in line with the expectations at the time the project was conceived.

As a result, the net income of the Canada Ports Corporation for the year ended December 31, 1984 was $4.5 million.

Total Assets

During the year, the Corporation transferred assets of $204.4 million to those ports established as local port corporations in 1984. The total assets of non-corporate ports for the same period amounted to $245.2 million, of which approximately 50% are in fixed assets.

Throughout the year, the Corporation continued funding its share of the equity in Ridley Terminals Inc., and at December 31, 1984, its total investment in shares of Ridley Terminals Inc. was $23.0 million.

Working Capital

Working capital reflected the transfer of $45.1 million to the newly established local port corporations. For the noncorporate ports, a 15% working capital improvement was achieved due to increased inflow of funds from operations.

Capital Investment

The Corporation spent $43.5 million in capital expenditures in 1984. The Corporation's major investments were directed towards the following capital projects: a potash terminal at the Port of Saint John; the development of new port facilities at Pointe Noire at the Port of Sept-Îles; and the relocation of the Port of Chicoutimi. To fund these projects, the Corporation sought and received grants of $33.9 million and loans of $4.9 million from the Government of Canada.

The Port of Belledune

The Port of Belledune, located in northeastern New Brunswick, is accessible year-round by water, road and rail. Built originally to handle resource products of the region, the port continues to accomplish its mandate of supporting the regional economy. Its main activities are essentially linked with the fertilizer industry, particularly the import of phosphate rock from the southern United States. The port also receives petroleum products for local consumption. In 1984, the total cargo handled reached 552,000 tonnes.

A land transfer with one of the port users to rationalize operations is currently under consideration.

The Ports of Chicoutimi/Baie des Ha! Ha!

The Ports of Chicoutimi/Baie des Ha! Ha! on the Saguenay River, includes several public and private port facilities and wharves. The Port of Chicoutimi handled nearly 415,000 tonnes of cargo in 1984, primarily made up of petroleum products. Alcan owns the main port facilities in Baie des Ha! Ha!, which it uses for imports of alumina, bauxite, coke, caustic soda, and hydrocarbons and for exports of aluminum. In 1984, the traffic at Baie de Ha! Ha! reached 3.8 million tonnes.

Construction of the new Grande Anse deep water terminal at the Port of Chicoutimi, undertaken in 1983 under the federal government's Special Recovery Capital Projects Program, is due for completion on schedule in the fall of 1985. At a cost of $18.4 million, construction of access roads, dredging and placing of cribs was completed in 1984. Construction of a shed, a coping wall for the wharves and paving will begin in the spring of 1985.

As a result of the Grande Anse construction, receiving and storage facilities for petroleum were dismantled at the Port of Chicoutimi and activities will be transferred to Pointe-à-l'Islet. Until the Grande Anse facilities are ready however, receiving and storage of industrial salt as well as shipment of forest products will remain at the downtown wharf.

The Port of Churchill

The Port of Churchill is the northern most port in Canada. Located on the Hudson Bay, the port serves northern communities on the prairies and the Northwest Territories. The port experienced a 30% decrease in its grain shipments. With total shipments approaching 450,000 tonnes, a sizable volume was destined for Brazil, the port's first exports to South America; another major destination, through the Baltic and Black Seas, was the U.S.S.R.

The port recorded a marked increase in cargo handling by the Northern Transportation Company (N.T.C.L.). N.T.C.L. transported approximately 26,572 tonnes of bulk petroleum products and general cargo, mainly building materials, from Churchill to the six Keewatin settlements in the Northwest Territories.

The first overseas vessel the M.V. *Hampton Lion*, arrived on August 1, 1984, without experiencing any difficulty with ice in the straights. Grain shipping at Churchill terminated with the loading and sailing of the last vessel of 1984, the M.V. *General Swierczewski*, on October 18, 1984.

Port Colborne Elevator

Port Colborne, located on the Seaway system, is used mainly for the export of Ontario grain overseas, directly or by transfer to downstream elevators. In 1984, Port Colborne experienced a difficult year, with traffic decreasing by 39% to 84,000 tonnes.

Served by rail, road and water, it is an efficient elevator with higher ship-loading rates than all other elevators in southern Ontario. Four truck unloading pits and a truck dumper offer an equally efficient unloading capacity and quick turnaround time for truckers.

Port Colborne's proposal to offer Seaway depth is currently under active review.

Prescott Elevator

Prescott is located in Eastern Ontario on the upper St. Lawrence River, approximately 100 km east of Kingston. Its main facility is a 154,000 tonne grain elevator handling the prairie and Ontario grains. In 1984, the port experienced a 15% drop in traffic to 318,000 tonnes due to reduced grain volumes. The port provides open storage areas and a shedded terminal. Industrial salt and fertilizers are handled at open storage facilities.

Cargo movements, both inward and outward, are by water, rail and truck. Continuous upgrading has resulted in a modern facility with seaway draft at the three wharves and five berths, limited to the size of vessels that can transit in the Seaway.

The Port of Saint John

The Port of Saint John is a major container port in Eastern Canada, handling considerable quantities of imports and exports from the Far East, Central and South America. The port also serves the woodpulp, newsprint and lumber exports of New Brunswick's forest industry through highly efficient general cargo and specialized forest products terminals.

In 1984, tonnage at the port was up by 3% to 8.6 million tonnes. Increases were recorded in the dry bulk commodities of grain and potash while general cargo performance was paced by improvements in containerized cargo and forest products. The port handled 5.6 million tonnes of crude and refined petroleum products in 1984.

Recently completed was the first phase of the Barrack Point Potash Terminal. The first user, the Potash Corporation of America, began exporting New Brunswick potash in January, 1984. A second user, Denison Potacan, is developing facilities for the export of potash to be completed in the fall of 1985.

The Port of St. John's

The Port of St. John's is the main distribution centre in eastern Newfoundland. Close to the Hibernia oil development, the port is a prominent base for servicing off-shore oil exploration and a revitalized Atlantic fishing industry.

Traffic at the Port of St. John's decreased by 2% in 1984 to 1.1 million tonnes. Containerized cargo was down fractionally to 246,000 tonnes, while other general cargo increased to 168,000 tonnes. Bulk cargoes declined 5% to 642,000 tonnes, primarily as a result of lower petroleum movements at the port.

Following the agreement signed with an operator for the Main Terminal, the port undertook improvements under Phase I of the main terminal development project. Work has also begun on the design of an area lighting and electrical distribution system which is scheduled for completion by mid-1985.

Perhaps the most significant event in 1984 for the Port of St. John's was the approval of local port corporation status. Appointments to the local Board of Directors are expected early in 1985.

The Port of Sept-Iles

The Port of Sept-Iles is located on the north shore of the St. Lawrence River, approximately 600 km north-east of Quebec City. The port recorded a 15% increase in tonnage in 1984. Iron ore, shipped mainly to the United States East Coast, the Great Lakes, Europe and Japan, continued as the major contributor to port activities, increasing to 21.8 million tonnes from 19.2 million tonnes the previous year. While dry and liquid bulk increased slightly, transshipment of coal and ilmenite decreased by 25%. In 1984, 818 ships called at the port, 77 more than 1983.

The construction of new port facilities at Pointe-Noire is scheduled for completion in the fall of 1986. The new facilities include a wharf and storage area. With more than half of this $36-million project already completed, the new port infrastructure promises major opportunities for regional-industrial expansion in the Sept-Iles/Port Cartier area.

The Port of Trois-Rivières

A total of 3.1 million tonnes of cargo were handled through the Port of Trois-Rivières in 1984. This represents an increase of 4% over the previous year. Grain accounted for close to three quarters of this total, rising by 50,000 tonnes over 1983. Other dry bulk traffic was dominated by zinc ores, which has grown to a total of 252,000 tonnes in 1984.

Caustic soda showed an increase to 50,000 tonnes; other liquid bulk products were calcium chloride and molasses. Inbound petroleum products decreased by 62% due to conversions to alternate energy sources.

General cargo, made up of newsprint and other paper products decreased by 2.0% to 183,000 tonnes in 1984. A total of 457 ships from 35 countries called at the port in 1984, an increase of 33 ships over 1983.

The port made major strides in its continued development in 1984. Two users have begun a joint project to improve railcar movements for bulk products at the port's western end. In addition, the development of the Vieux-Port area was initiated to provide visitors with an attractive site for leisure activities. Overall, the port is a focal point for local commercial activity and remains a prosperous economic asset to the region.

Auditors' Report

To the Honourable
Donald Mazankowski, P.C., M.P.

Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1984 and the statements of income, deficit, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Touche Ross & Co

Chartered Accountants

Winnipeg, Manitoba
March 11, 1985

Balance sheet
as at December 31, 1984

ASSETS

(in thousands of dollars)	**1984**	1983
Current		
Cash	**$ 894**	$ 1,356
Investments (Note 4)	**59,134**	92,814
Accounts receivable	**4,116**	13,405
Due from Canada	**3,468**	2,017
Materials and supplies	**530**	756
	68,142	110,348
Long-term		
Investments (Note 4)	**19,973**	26,476
Amounts receivable	**—**	238
	19,973	26,714
Investment in Ridley Terminals Inc. (Note 5)	**19,733**	19,271
Fixed (Note 7)	**137,321**	289,510
	$245,169	$445,843

LIABILITIES

(in thousands of dollars)	**1984**	1983
Current		
Accounts payable and accrued liabilities (Note 8)	**$ 14,607**	$ 19,195
Grants in lieu of municipal taxes	**678**	2,031
	15,285	21,226
Long-term		
Accrued employee benefits	**1,562**	3,506
Financing provided by a province (Note 9)	**18,596**	19,406
Loans from Canada (Note 10)	**104,110**	166,617
Recoverable contribution from Canada (Note 11)	**—**	49,152
	124,268	238,681

EQUITY OF CANADA

	1984	1983
Contribution from Canada (Note 13)	**20,072**	20,072
Contributed capital	**142,319**	322,385
Deficit	**56,775**	156,521
	85,544	165,864
	$245,169	$445,843

On behalf of the Board:

A.R. Huntington
Chairman

Michael Ferrabee
Acting President and
Chief Executive Officer

Statement of income
for the year ended December 31, 1984

	(in thousands of dollars) 1984	1983
Revenue from operations	**$27,229**	$28,623
Operating and administrative expenses	**18,530**	19,703
Depreciation	**6,651**	6,005
Grants in lieu of municipal taxes	**2,317**	2,348
Interest expense	**3,568**	3,053
	31,066	31,109
Net loss from operations	**(3,837)**	(2,486)
Investment income	**8,160**	7,713
Net income before the undernoted items	**4,323**	5,227
Net income of ports established as local port corporations (Note 3)	**2,866**	22,714
Unusual item (Note 14)	**—**	(11,800)
Share in loss of Ridley Terminals Inc. (Note 5)	**(2,697)**	—
Net income	**$ 4,492**	$16,141

Statement of deficit
for the year ended December 31, 1984

	(in thousands of dollars) 1984	1983
Deficit at beginning of the year	**$156,521**	$185,542
Net income	**4,492**	16,141
	152,029	169,401
Deficit assumed by local port corporations (Note 3)	**(95,254)**	(80,316)
Surplus transferred to a local port corporation (Note 3)	**—**	67,436
Deficit at end of the year	**$ 56,775**	$156,521

Statement of contributed capital
for the year ended December 31, 1984

	(in thousands of dollars) 1984	1983
Contributed capital at beginning of the year	**$322,385**	$349,361
Contributed capital transferred to local port corporations (Note 3)	**(180,066)**	(26,976)
Contributed capital at end of the year	**$142,319**	$322,385

Statement of changes in financial position
for the year ended December 31, 1984

	1984	1983
	(in thousands of dollars)	
Funds provided		
Operations		
Net income	**$ 4,492**	$16,141
Items not requiring an outlay of funds		
Depreciation	**7,981**	13,572
Deferred interest	**2,392**	1,855
Unusual item	**—**	11,800
Share in loss of Ridley Terminals Inc.	**2,697**	—
Other	**(241)**	1,343
	17,321	44,711
Loans from Canada	**4,881**	7,110
Recoverable contribution from Canada	**106**	8,379
Capital grants	**34,880**	15,425
Proceeds on sale of long-term investments	**—**	5,076
Other	**242**	77
	57,430	80,778
Funds employed		
Additions to fixed assets	**43,516**	54,615
Investment in Ridley Terminals Inc. — net	**3,159**	14,942
Loans from Canada currently payable	**1,112**	747
Reduction in financing provided by a province	**810**	1,204
	48,597	71,508
Increase in working capital before transfers to local port corporations	**8,833**	9,270
Working capital transferred to local port corporations (Note 3)	**(45,098)**	(65,972)
Decrease in working capital	**(36,265)**	(56,702)
Working capital at beginning of the year	**89,122**	145,824
Working capital at end of the year	**$52,857**	$89,122

Notes to financial statements
December 31, 1984

1. CANADA PORTS CORPORATION ACT

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

i) Interest on contribution from Canada

Interest on the contribution from Canada is reflected in the financial statements in the year paid as it is contingent upon the receipt of dividends from Ridley Terminals Inc.

3. LOCAL PORT CORPORATIONS

Effective June 1, 1984, the Port of Halifax, the Port of Québec and the Port of Prince Rupert were established as local port corporations under the names of Halifax Port Corporation, Port of Québec Corporation and Prince Rupert Port Corporation. The Port of Montréal and the Port of Vancouver had been previously established as local port corporations on July 1, 1983 under the names of Montréal Port Corporation and Vancouver Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the local port corporations at their carrying value in the accounts of the Corporation as follows:

	1984	1983
	(in thousands of dollars)	
Assets		
Working capital	**$ 45,098**	$ 65,972
Long-term investments	**6,589**	50,364
Long-term amounts receivable	**245**	6,309
Fixed	**152,425**	246,058
	$204,357	$368,703
Liabilities		
Long-term accrued employee benefits	**$ 1,619**	$ 6,092
Loans from Canada	**68,668**	348,515
Recoverable contribution from Canada	**49,258**	—
	119,545	354,607
Equity		
Contributed capital	**180,066**	26,976
Deficit	**(95,254)**	(80,316)
Surplus	**—**	67,436
	$204,357	$368,703

Notes to financial statements
December 31, 1984

The statement of income includes the results of operations of the Port of Halifax, the Port of Québec and the Port of Prince Rupert for the five month period ended May 31, 1984 and for the year ended December 31, 1983, and the results of operations of the Port of Montréal and the Port of Vancouver for the six month period ended June 30, 1983 as follows:

	1984	1983
	(in thousands of dollars)	
Revenue from operations	**$13,487**	$100,418
Operating and administrative expenses	**10,073**	77,015
Depreciation	**1,330**	7,567
Grants in lieu of municipal taxes	**1,262**	4,690
Interest expense	**—**	462
	12,665	89,734
Net income from operations	**822**	10,684
Investment income	**2,044**	12,030
Net income of ports established as local port corporations	**$ 2,866**	$ 22,714

4. INVESTMENTS

Investments, which are direct and guaranteed securities of Canada, are:

	1984		1983	
	(in thousands of dollars)			
	Cost	Market Value	Cost	Market Value
Current	**$59,134**	**$59,360**	$92,814	$92,597
Long-term	**$19,973**	**$20,015**	$26,476	$25,794

5. INVESTMENT IN RIDLEY TERMINALS INC.

Ridley Terminals Inc. (RTI) was incorporated in December 1981, under the Canada Business Corporations Act to develop, manage and operate a coal terminal on Ridley Island at the Port of Prince Rupert. The Pre-Incorporation Agreement between Canada Ports Corporation (the Corporation) and the other shareholder, Fednav Limited, stipulates that at least 90% of the common shares of RTI shall be allotted and issued to the Corporation and that the Corporation shall acquire class A preference shares equal in value to the class B preference shares issued to the other shareholder.

The investment in Ridley Terminals Inc. is composed of:

	1984	1983
	(in thousands of dollars)	
Balance at beginning of the year	**$19,271**	$ 4,329
Investment in shares	**3,450**	15,042
Elimination of inter-company charges	**(291)**	(100)
Share in loss	**(2,697)**	—
Balance at end of the year	**$19,733**	$19,271

At December 31, 1984, the Corporation had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the class A preference shares ($23,020,500) of RTI. These class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum. As at December 31, 1984, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the class B preference shares ($23,020,500) of RTI. These class B preference shares carry a fixed cumulative dividend at a rate of 20% per annum after taxes.

A summary of the balance sheet of RTI as reported in its audited financial statements shows:

	December 31, 1984	1983
	(in thousands of dollars)	
Assets		
Current	$ 8,202	$ 1,201
Deferred operating costs	—	2,465
Fixed	234,375	218,859
Other	100	108
	$242,677	$222,633
Liabilities		
Current	$ 3,768	$ 15,667
Bank loans and acceptances guaranteed by Canada	198,261	167,824
	202,029	183,491
Equity	40,648	39,142
	$242,677	$222,633

Preference dividends and related interest in arrears at December 31, 1984, are as follows:

	1984
	(in thousands of dollars)
Class A preference shares held by Canada Ports Corporation	$ 7,196
Class B preference shares held by Fednav Limited	15,793
	$22,989

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity in RTI which, at December 31, 1984, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

RTI became operational September 1, 1984. The results of its operations for the four month period ended December 31, 1984, are as follows:

	1984
	(in thousands of dollars)
Revenue from operations	$10,291
Operating and administrative expenses	5,242
Depreciation	2,255
Interest expense	8,188
	15,685
Net loss	$ 5,394

RTI has negotiated an $80,000,000 revolving credit bank loan, secured by the assets of RTI, for financing operations. As at December 31, 1984, there were no drawdowns of this credit facility.

Notes to financial statements
December 31, 1984

6. DEBENTURES OF SAINT JOHN HARBOUR BRIDGE AUTHORITY

The Saint John Harbour Bridge Authority is indebted in the amount of $14,355,000 (1983- $14,447,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Therefore, both the debentures received and advances and loans payable to Canada have been offset against each other and are not reflected as a separate asset and liability on the balance sheet. Interest income and expense of $985,000 (1983-$991,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1984, this transfer had not been completed.

7. FIXED ASSETS

a) Summary

		1984 (in thousands of dollars)			1983
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
Land	—	**$ 38,843**	**$ —**	**$ 38,843**	$ 75,735
Dredging	**2.5-6.7**	**11,297**	**5,678**	**5,619**	7,282
Berthing structures	**2.5-10**	**101,940**	**43,425**	**58,515**	82,749
Buildings	**2.5-10**	**33,512**	**19,435**	**14,077**	32,316
Utilities	**3.3-10**	**10,446**	**3,526**	**6,920**	12,013
Roads and surfaces	**2.5-10**	**7,173**	**4,997**	**2,176**	9,440
Machinery and equipment	**5-100**	**22,200**	**14,742**	**7,458**	8,020
Office furniture and equipment	**20**	**1,790**	**1,276**	**514**	807
Works under construction	—	**3,199**	**—**	**3,199**	61,148
		$230,400	**$93,079**	**$137,321**	$289,510

b) Capital grants

During the year, the Corporation received capital grants totalling $34,880,000 (1983-$15,425,000) towards the construction of capital projects of which $33,930,000 (1983-$10,549,000) was received from Canada.

c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $7,900,000, of which most will be expended in the year ending December 31, 1985.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following:

	1984	1983
	(in thousands of dollars)	
Deferred revenues	**$1,003**	$2,179
Current portion of long-term liabilities	**$2,212**	$1,719

9. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John, which is owned by the Corporation. Until the non-interest bearing advance is repaid, the Province will receive annual principal payments equal to 47% of the net operating income of the terminal.

10. LOANS FROM CANADA

	1984	1983
	(in thousands of dollars)	
Loans bearing interest at 6.44% to 15.625% with blended annual principal and interest repayment requirements of $4,732,000 and maturing between December 31, 1993 and 2002	**$ 29,470**	$ 25,336
Less: current portion (included in accounts payable and accrued liabilities)	**1,112**	747
	28,358	24,589
Deferred interest	**4,247**	1,855
Non-interest bearing loans with indefinite due date	**55,609**	108,250
Accrued interest on loans not due and payable	**15,896**	31,923
	$104,110	$166,617

Loans of $19,154,000 from Canada for the construction of new terminal facilities for the Port of Saint John bear interest at rates of between 11.0% and 15.6%. Payment of the interest on these loans is deferred until construction is completed (October 1985) and then repayment is to be over a period of ten years.

Principal repayment requirements over the next five years amount to $1,112,000 in 1985, $1,241,000 in 1986, $1,384,000 in 1987, $1,545,000 in 1988 and $1,725,000 in 1989.

11. RECOVERABLE CONTRIBUTION FROM CANADA

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island, Port of Prince Rupert. The contribution was transferred to the Prince Rupert Port Corporation as at June 1, 1984.

12. CONTINGENCIES

Claims aggregating approximately $6,000,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

Notes to financial statements
December 31, 1984

13. CONTRIBUTION FROM CANADA

In 1982, the Corporation received from Canada a contribution of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution are to be determined by Treasury Board and the Corporation prior to April 1, 1989.

Interest is to be calculated on the contribution at the average borrowing rate for Crown corporations in effect while the contribution is outstanding. The payment of principal and interest is contingent upon the receipt of dividends from Ridley Terminals Inc. Interest on this contribution will be reflected in the financial statements in the year paid. At December 31, 1984, the interest accumulated is approximately $7,200,000.

14. UNUSUAL ITEM

The unusual expense in 1983 results from the write-down of the cost of a pier to reflect the major future costs required to bring the pier back to a normal operating condition.

15. SUBSEQUENT EVENT

In accordance with the Canada Ports Corporation Act, the petition for the establishment of a local port corporation at the Port of St. John's was approved during 1984. The local port corporation will be established when letters patent of incorporation are issued which is expected to be during 1985.

As at December 31, 1984, the port accounted for working capital of $4,863,000, surplus of $396,000, total assets of $14,688,000 and net income of $848,000 in the financial statements of the Corporation.

16. COMPARATIVE FIGURES

The 1983 figures have been reclassified in order to conform with this year's presentation.

Corporate Directory

Members of the Board:

The Hon. A.R. Huntington, P.C.
Chairman
Canada Ports Corporation
Ottawa, Ontario.

Ian G. Stott
Vice-Chairman
President Stott Aluminum Corporation
Sydney, N.S.

Michael W. Swinwood
Acting President and Chief
Executive Officer
Canada Ports Corporation
Ottawa, Ontario.

Raymond V. Beck
Former General Manager
Port of Halifax
Halifax, Nova Scotia.

Roméo Boyer
President of Québec Grues Ltée.
Chairman of the Montréal Port Corporation
Longueuil, Québec.

Raymond M. Dufour
Management Consultant
Malette, Benoît
Boulanger, Rondeau, Inc.
Québec, Québec.

John H. Morrish
President and Chief Executive
Officer of Fording Coal Ltd.
Calgary, Alta.

William H. Somerville
President and Chief Executive Officer
Victoria & Grey Trust Company
Toronto, Ontario.

Joseph V. Streeter
Dominion Securities Pitfield Ltd.
Saint John, N.B.

James L. Thom
President
Montreal Shipping Inc.
Montreal, Québec.

Lionel Major
Director General
Inter-Cité Construction Limitée
Chairman
Chicoutimi Port Authority
Chicoutimi, Québec.

Wendell Firlotte
Superintendent
Woodlands Division
New Brunswick International
Paper Inc.
Dalhousie, N.B.

Brian Keple
President
Regina Cartage & Storage
Regina, Sask.

Robert Wilson Innes
Chairman
St. John's Port Authority
St. John's, Nfld.

The Hon. Otto E. Lang
Executive Vice-President of Pioneer Grain
Ltd.
Winnipeg, Manitoba.

Roy Motie Lev
Jegray Development Ltd.
Winnipeg, Manitoba.

Committees of the Board:

Executive Committee
Chairman: **The Hon. A.R. Huntington**
Vice-Chairman: **Ian G. Stott**
President: **Michael W. Swinwood**
Members: **The Hon. Otto E. Lang**
William H. Somerville
James L. Thom

Corporate Planning and Budgeting Committee
Chairman: **J.H. Morrish**
Members: **Lionel Major**
R.M. Lev
J.V. Streeter

Audit Committee
Chairman: **Roméo Boyer**
Members: **Raymond M. Dufour**
Brian Keple
Lionel Major

Officers of the Corporation:

The Hon. A.R. Huntington, P.C.
Chairman
Michael W. Swinwood
Acting President and Chief Executive
Officer
Camille Guérin
Vice-President
Finance
Alain Jarry
Vice-President
Corporate Policy and Planning

Roger Cramm
Vice-President
Administrative Services
T.A. Lauzon
Acting Vice-President
Technical Services
Colette Trudel
Acting Corporate Secretary

General Counsel

Mailing Addresses

1 Port of Belledune
c/o National Office
320 Queen Street
Ottawa, Ontario
K1A 0N6
Tel: (613) 996-6400

2 Ports of Chicoutimi/ Baie des Ha! Ha!
P.O. Box 760
Chicoutimi, Québec
G7H 5E1
Tel: (418) 543-0263

3 Port of Churchill
P.O. Box 217
Churchill, Manitoba
R0B 0E0
Tel: (204) 675-8823

4 Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel: (902) 426-3643

5 Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Québec
H3C 3R5
Tel: (514) 283-7042

6 Port Colborne Elevator
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Port Colborne, Ontario
L3K 5V8
Tel: (416) 834-3644

7 Prescott Elevator
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Prescott, Ontario
K0E 1T0
Tel: (613) 925-4228

8 Prince Rupert Port Corporation
110 - 3rd Avenue W.
Prince Rupert, B.C.
V8J 1P3
Tel: (604) 627-7545

9 Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Québec
G1K 7P7
Tel: (418) 648-3558

10 Port of Saint John
133 Prince William Street
Saint John, N.B.
E2L 2B5
Tel: (506) 648-4869

11 Port of St. John's
3 Water Street
St. John's, Nfld.
A1C 5X8
Tel: (709) 772-4664

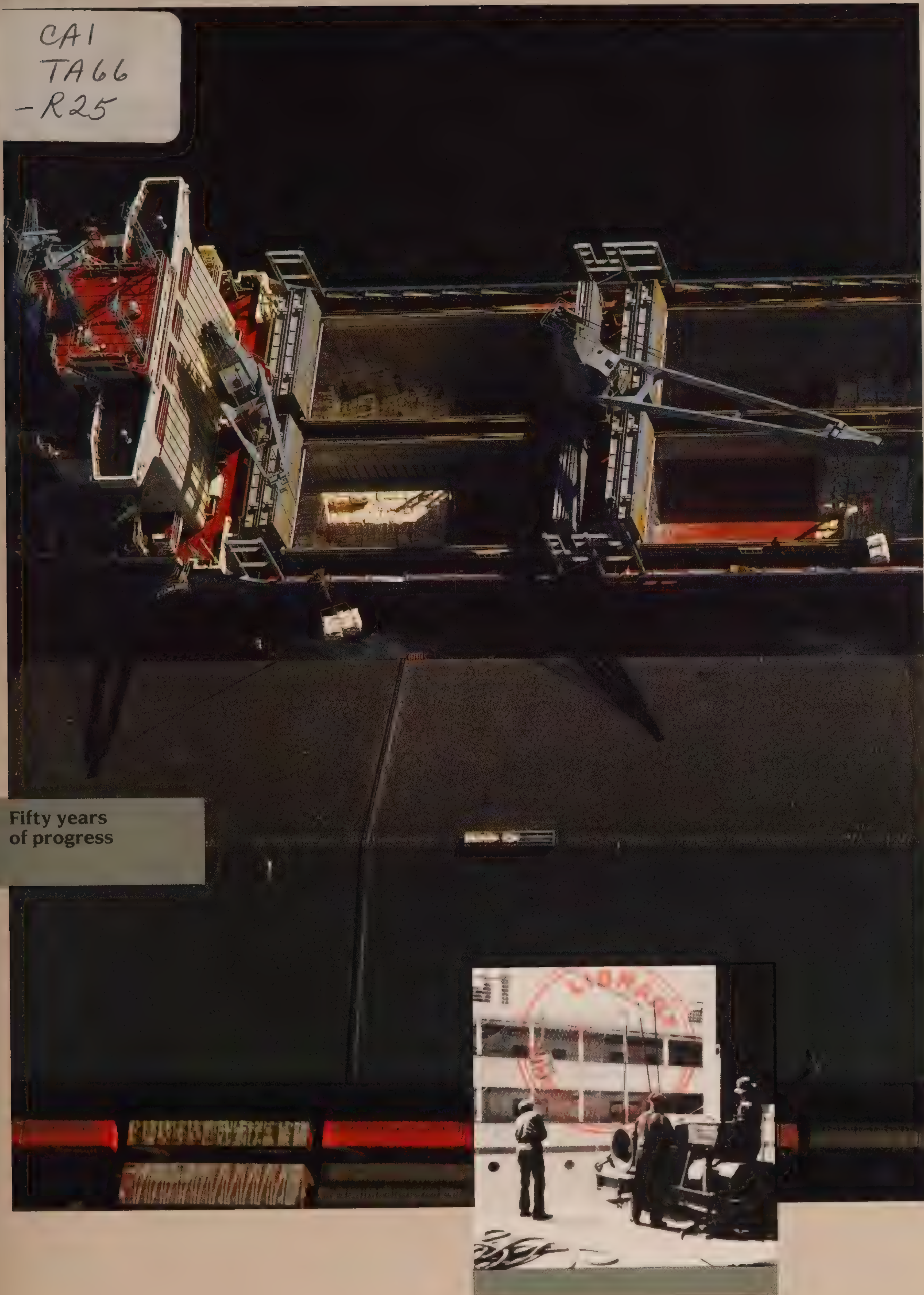
12 Port of Sept-Iles
P.O. Box 280
Sept-Iles, Québec
G4R 4K5
Tel: (418) 968-1231

13 Port of Trois-Rivières
P.O. Box 999
1545 du Fleuve Street
Trois-Rivières, Québec
G9A 5K2
Tel: (819) 378-3939

14 Vancouver Port Corporation
1900 - 200 Granville Street
Vancouver, B.C.
V6C 2P9
Tel: (604) 666-8978

Report to the Minister 1985

Ports Canada



Fifty years
of progress

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Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the Canada Ports Corporation Act which was proclaimed in 1983. Six of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, St. John's and Vancouver. The other ports are directly administered by the Canada Ports Corporation and are located in Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Saint John, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic and more than 95 percent of container traffic. It is, therefore, an effective means for the implementation of the national port policy. The policy provides for, at the best cost possible and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public service, the ports are administered according to common commercial principles.

The Canada Ports Corporation's head office is located in Ottawa.

Message from the Chairman of the Board and the President and Chief Executive Officer


A.R. Huntington


Denis de Belleval

Ports Canada completed a successful year in 1985. A keynote speech by the Minister of Transport at the outset of the year provided a framework for the relationship among the port corporations that constitute Ports Canada. Inspired by the Minister's direction, the Board of Directors of the Canada Ports Corporation realigned the organization of the National Office to ensure continued and effective provision of service to all ports in the system.

The year 1985 marked our third year under the new legislation. With the establishment of a local port corporation at St. John's, Ports Canada took another step in the fulfilment of the objectives defined in the legislation.

Ports Canada had another strong financial performance in 1985 with revenues of $217 million, and net income of $52 million on port operations. The May 1985 federal budget saw the introduction of the cash recovery measure, requiring Ports Canada to make an extraordinary payment to the shareholder in the amount of $133 million, $83 million of which was due in 1985.

There was a slight decrease in total tonnage handled by Ports Canada facilities in 1985. The decrease is mainly due to lower grain exports. In the handling of containers, however, Ports Canada recorded another strong performance of 9 million tonnes, which accounted for over 95 percent of Canada's container traffic. Maintaining a competitive position in container traffic vis-à-vis U.S. ports remains a challenge for both our ports and the Canadian rail system.

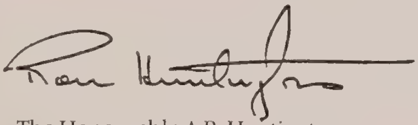
Our ports face increasing competitive pressures as a result of instability within the world maritime industry. Low financial returns mainly due to excess capacity, technological changes, and the effects of a deregulated transportation environment in the U.S. are contributing factors. Market forces are obliging greater cooperation between water and surface transportation modes. Door to door and point to point pricing are among the most significant competitive innovations. Our ports must adapt their procedures and facilities to keep pace.

We expect satisfactory performance in 1986, though it is apparent at this time that below-normal international commodity movements will not improve in the short-term.

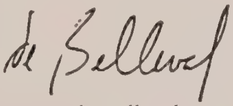
This year marks the 50th anniversary of the creation of the National Harbours Board/Ports Canada. At the World Business Showcase Expo 86, Ports Canada will have a presentation for marketing its facilities, confirming relationships with existing clients and meeting prospective customers.

Our performance in 1985 has been due to the energy and dedication of all people within the Ports Canada system and the relationship they have with clients and associates. On behalf of the Board of Directors we express gratitude for the accomplishments of the year.

A final word of acknowledgement to the Minister of Transport, the Honourable Don Mazankowski, for his leadership as we enter the coming era of change and challenge.



The Honourable A.R. Huntington
Chairman of the Board



Denis de Belleval
President and Chief Executive Officer

Ports Canada Five Year Financial Review

(in millions except for average number of employees and ratios)

	1985	1984 (restated)	1983	1982 (restated)	1981
Financial Results					
Revenue from operations	$216.8	$214.1	$202.2	$190.8	$180.8
Operating expenses	193.4	186.6	178.0	162.0	147.2
Operating income (loss)	23.4	27.5	24.2	28.8	33.6
Investment income – net	26.8	24.2	22.6	28.7	26.2
Net income before RTI*	51.9	57.8	35.0	57.5	59.8
Cash provided by operating activities	76.4	74.6	73.7	72.6	69.8
Financial position at year end					
Working capital	$212.0	$189.8	$160.1	$145.8	$107.3
Fixed assets – at cost	962.3	914.0	892.9	850.6	752.4
Total assets	973.9	926.1	865.8	814.3	681.3
Equity of Canada	322.3	275.3	218.8	183.9	106.3
Capital expenditures	$64.1	$96.6	$74.6	$125.6	$65.0
Federal capital financing					
Grants	$14.3	$35.4	$10.5	$24.0	$17.4
Loans	5.2	4.9	7.1	7.9	—
Recoverable contribution	—	0.4	8.4	40.6	0.2
Employees					
Average number of employees	1,517	1,637	1,695	1,760	1,766
Ratios					
Operating revenue/tonne	$1.40	$1.30	$1.41	$1.39	$1.13
Tonnes/employee	102,307	100,672	84,897	77,841	90,883
Operating cash flow/operating gross assets	7.5%	7.6%	7.7%	8.0%	8.8%

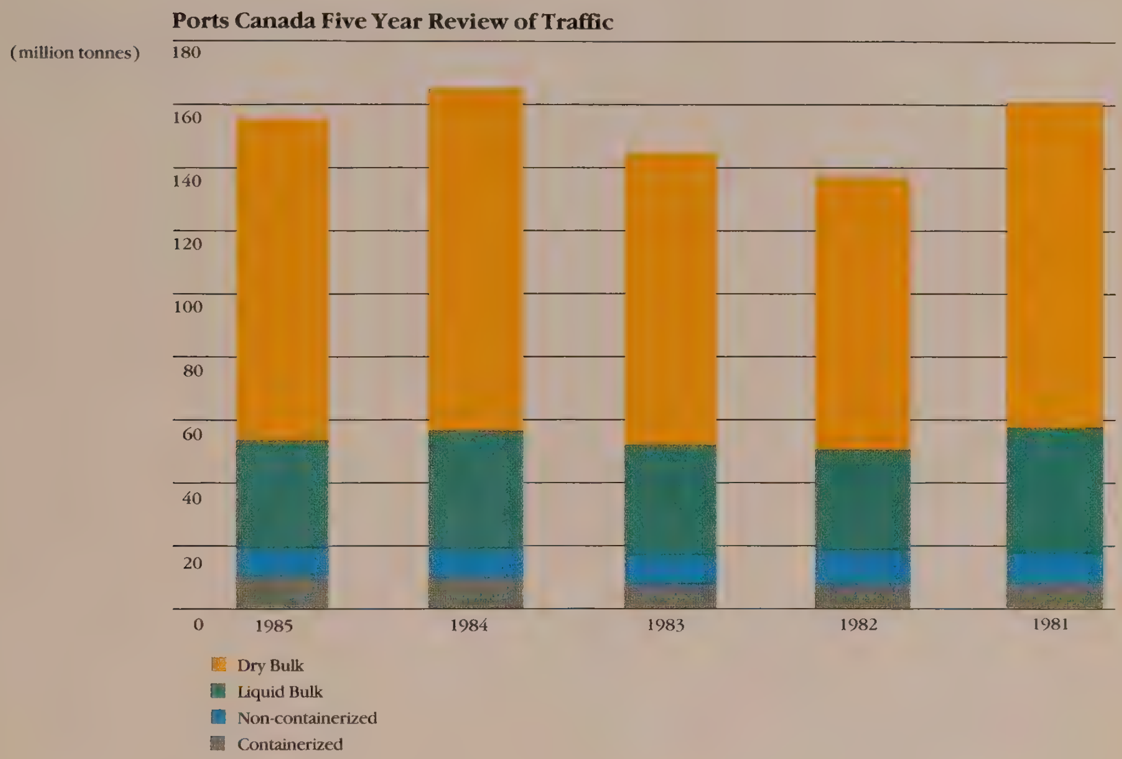
* Ridley Terminals Inc.

Revenue from operations for Ports Canada was $217 million for the year, a slight increase from $214 million in 1984. Local port corporations' revenue from operations in 1985 was $193 million, up from $189 million in the previous year. Revenue from operations for the Canada Ports Corporation was $24 million in 1985.

The 1985 income from operations for Ports Canada, before depreciation, was $45 million, a decrease of $4 million from the previous year. Net income from operations, after depreciation, was $23 million.

Net income from all ports in 1985, including income from investments, was $52 million, down from $58 million in 1984. Ports administered as local port corporations had a net income in 1985 of $49 million, a decrease of $6 million, while the eight ports administered by the Canada Ports Corporation had a net income of $3 million, nearly equal to the previous year.

The working capital of Ports Canada was $212 million compared with $190 million in 1984. Funds expended for capital projects in 1985 totalled $64 million of which $47 million were spent by local port corporations and $17 million by the Canada Ports Corporation. Major projects included the expansion and upgrading of facilities in Halifax, Montréal and Vancouver as well as the relocation of port facilities in Sept-Îles and Chicoutimi.



In spite of a decrease in grain traffic, a good performance was recorded in 1985 with 155 million tonnes of cargo handled by private facilities leased by Ports Canada, as well as Ports Canada's own facilities.

In 1985, total tonnage handled through Ports Canada's own facilities was 71 million tonnes, slightly down from 73 million tonnes recorded in 1984. The local port corporations handled 64 million tonnes through their facilities, the same volume as in the previous year. Total tonnage through Canada Ports Corporation facilities was down from 9 million tonnes in 1984 to 7 million tonnes in 1985.

Ports Canada handled 23 million tonnes of grain, down 23 percent from 30 million tonnes in 1984. This decrease in grain shipments was experienced by both east and west coast ports and reflects the poor domestic grain harvest of the previous year. Other contributing factors were, on one hand, uncertainties in international markets due to increased competition by exporting countries of the European Common Market, the United States, Australia, Argentina and, on the other hand, good harvests produced by customer countries in Eastern Europe as well as China.

In contrast, coal shipments showed strong results in spite of a world production surplus. Coal shipments were up by 12 percent from 1984 to 28 million tonnes.

Despite strong competition from U.S. ports, container shipments totalled 9 million tonnes or 900,000 TEU (20-foot equivalent units), slightly above the previous year's results. The ports of Halifax, Montréal, Saint John and Vancouver handled over 95 percent of Canada's total container traffic in 1985. The performance of the Port of Montréal was particularly encouraging with an increase of 7 percent over the previous year.

Corporate Directory

Board of Directors

The Honourable A.R. Huntington
Chairman
Ottawa, Ont.

Ian G. Stott
Vice-Chairman
President, Stott Aluminum
Sydney, N.S.

Denis de Belleval
President
Canada Ports Corporation
Ottawa, Ont.

Raymond V. Beck
Chairman
Halifax Port Corporation
Halifax, N.S.

Ronald Corey
Chairman, Montréal Port Corporation
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

Brian Keple
President
Regina Cartage & Storage
Regina, Sask.

The Honourable O.E. Lang
Executive Vice-President
Pioneer Grain
Winnipeg, Man.

Richard Lester
Manager, Vancouver Office
Parrish & Heimbecker Limited
Vancouver, B.C.

A. MacLean
Principal
Dalhousie Regional High School
Dalhousie, N.B.

C. Peter MacLean
Vice-President
J.W. MacDonald & Company Ltd.
New Glasgow, N.S.

The Honourable Jean Marchand
Vice-Chairman
Port of Québec Corporation
Québec, Que.

John H. Morrish
President and Chief Executive Officer
Fording Coal Ltd.
Calgary, Alta.

Capt. H.D. Perry
Chairman
Vancouver Port Corporation
Vancouver, B.C.

James B. Powers
President and General Manager
Labrador Construction Company Limited
St. John's, Nfld.

William H. Somerville
Chairman and Chief Executive Officer
National Trust Co.
Toronto, Ont.

Joseph V. Streeter
Investment Dealer
Dominion Securities Pitfield Ltd.
Saint John, N.B.

James L. Thom
President
Montréal Shipping Inc.
Montréal, Que.

Officers of the Corporation

The Honourable A.R. Huntington
Chairman

Denis de Belleval
President and Chief Executive Officer

Camille Guérin
Vice President, Financial Services

Hassan Ansary
Vice President, Corporate Services

T.A. Lauzon
Vice President, Port Services

Pierre Woods
Acting Vice President, Legal Services

Ted Ciunyk
Director General, Police and Security

Roza Aronovitch
Acting Corporate Secretary

Executive Committee and Human Resources Committee

Chairman: The Honourable A.R. Huntington
Vice-Chairman: Ian G. Stott
Members: Denis de Belleval
The Honourable O.E. Lang
William H. Somerville
James L. Thom

Audit Committee

Chairman: A.R. MacLean
Members: Ronald Corey
Brian Keple
James B. Powers

Planning and Budget Committee

Chairman: John H. Morrish
Members: Richard K. Lester
Joseph V. Streeter
James L. Thom

Police Committee

Chairman: Brian Keple
Members: Raymond V. Beck
Denis de Belleval
Donald Cassidy (Member at large)
The Honourable A.R. Huntington
The Honourable Jean Marchand

The Early Days

Exploration, settlement and trade. These words recall the very early days of our history. Our nation grew as a result of the transportation of people and goods through our waterways.

While it took trading skills and physical strength to bring natural resources from the interior along countless waterways, it also meant that the goods had to be loaded at some stage, from canoe and bateaux, to seagoing vessels destined for Europe.There had to be a transfer point – a port.

The driveway to No. 7 Shed in the Port of Saint John, in May 1932, deep in the depression.

Over time, these simple locations developed as permanent transportation centres whose activities required increasingly more administration and control. Canada was carried along with the momentum of the Industrial Revolution; steam replaced sail and iron replaced wood resulting in larger ships requiring more substantial port facilities. These had to be administered, wharves built, navigation improved, channels dredged and support services provided.

Lumber for the West Indies being loaded aboard the "Pacific Commerce" docked at North Vancouver harbour in the thirties.

The Thirties

Up to this time, port administration was the responsibility of separate Local Port Authorities reporting to the Federal Department of Marine. The arrangement was not a satisfactory one. Each Port Authority pursued its own interests often making recommendations to government that were not in keeping with the national good. Furthermore, the lack of sound accounting practices made it necessary for the federal government to fund ever increasing port expenditures and deficits. With economic conditions pointing to a profound decline, and recognizing the role that ports play in Canada's economy, the Right Honourable Prime Minister R.B. Bennett requested Sir Alexander Gibb, a well-known British consulting engineer, to recommend ways of improving the existing administrative systems of harbours and advise on facilities required over the next fifty years.

The Gibb Report, published in 1932, became a key document which had a profound impact on Canadian ports. Its main recommendations were that a central Harbours Board be created to operate in a business-like manner. The Board would correct the shortcomings of the existing decentralized system, retrench federal

The use of derricks and steam winches helped to reduce the manpower needed to load and unload cargo on steamships using Canadian ports in the thirties.

port investments, control expenditures and implement standardized systems of accounting. As the marine historian Thomas Appleton said, "In many ways its [the Gibb Report's] principal conclusion was that the national ports have to serve more than local interests, and in the interests of the whole country, must be directed on national lines and in accordance with a definite coordinated policy."

In 1934, this was typical of a transit shed as Canadian produce was waiting to be loaded onto a ship. The numerous hand dollies point out the labour-intensive nature of this type of cargo at that time

The proposed National Harbours Board (NHB) Act was vigorously debated in Parliament. The Bill was introduced by the Honourable C.D. Howe, one of the important men of 20th century Canadian politics, who had been a successful consulting engineer involved in port and dock construction. The NHB Act received Royal Assent on June 23, 1936 and came into effect on October 1, 1936.

The first Board members, Mr. R.G. Campney, Chairman, Colonel A.E. Dubuc, Vice-Chairman and Mr. B.J. Roberts, Member, were responsible for the administration of seven ports: Chicoutimi, Halifax, Montréal, Québec, Saint John, Trois-Rivières, and Vancouver, with assets amounting to $197 million. By the end of 1936, over 73,000 vessels had tied up at NHB ports and some 67 million tonnes of cargo had been handled. In the following year, the ports of Churchill, Port Colborne and Prescott were placed under NHB administration by Order-in-Council.

The Interim Years

Soon after creation of the National Harbours Board, Canada became involved in World War II. Canadian ports became instrumental in the transport of thousands of soldiers and millions of tonnes of supplies destined for war zones around the world. There was no time for reflecting on long term policies, and it was to take more than a decade before the challenges brought about by post-war growth could be met.

The "d'Iberville" moves through Lock No. 1, at St. Lambert, Quebec, during the opening of the St. Lawrence Seaway on April 25, 1959.

A pivotal event in the history of the NHB was the construction of the St. Lawrence Seaway which commenced in 1954. The St. Lawrence River had long been envisaged as a superb trade route to the heartland of North America and the opening of the Seaway in 1959 gave NHB ports an expanded role in the North American shipping trade. For instance, the total amount of waterborne traffic handled by the Port of Montréal in 1955 was approximately 16 million tonnes; by 1963, it was close to 23 million tonnes. In the same period, traffic at the Port of Québec rose from just over 3 million tonnes to nearly 6 million tonnes.

The abundance and importance of Canadian grain is nowhere more evident than in our ports. Cargoes like this help keep the markets and kitchens of the world stocked with pasta, bread, cereals and flour

Another major stride in the history of NHB ports was taken when, in 1968, the first container terminal opened in Montréal. This technological advance revolutionized cargo handling methods at the waterfront, with straddle cranes replacing conventional lifting equipment, thereby greatly reducing cargo handling costs.

The exertion and grind of stevedoring is evident in this silhouette of men handling bananas in Montréal.

Inevitably, technological progress had a profound effect on the labour force employed. At the turn of the century, it took 300 men approximately 1 week to unload 1,000 tonnes of cargo. In the fifties, it took 50 men approximately 3 days to do the same work. The introduction of containerization in the sixties meant that 8 men could move 1,000 tonnes in 5 hours.

As a result, tumultuous labour relations developed in the late sixties. At issue was the question of productivity. Disputes erupted, with management of shipping lines wanting smaller work crews and longshoremen union leaders arguing for job security.

Wooden barrels waiting to be loaded on the "Belle Isle" in Québec City.

With union and management having reached an impasse, the federal government established a Commission of Inquiry headed by Laurent Augustin Picard. The Commission narrowed its investigation to three ports: Montréal, Québec City and Trois-Rivières. In his report, Dr. Picard recommended that smaller crews be introduced. However, his recommendations also allowed for job security under certain conditions and for the improvement of working conditions in the longshoring industry. Subsequently, the recommendations were accepted and there was peace again on the St. Lawrence.

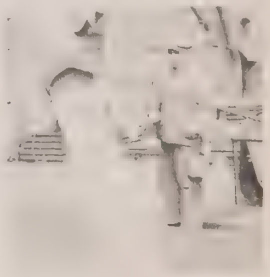
By this time, the present port system had become complete with the addition of the ports of St. John's in 1965, Belledune in 1967, Prince Rupert in 1972 and Sept-Iles in 1973.

Wooden steam tugs wait near the Dominion Coal Company's elevator in the Port of Saint John.

Within their plain exteriors, these containers hold a veritable cornucopia of goods – everything from clothes and chemicals to forest products and machinery. Modern shipping techniques are embodied in the order, symetry, ease of handling and security of these rugged containers.

The Eighties

For the ports, the most significant event of the 1980s has been the proclamation of the Canada Ports Corporation Act in February 1983. The Act provides for the establishment of local port corporations to operate with a high degree of local autonomy while preserving the national interest. To date, six local port corporations have been established at Halifax, Montréal, Prince Rupert, Québec, St. John's and Vancouver. These local port corporations and the Canada Ports Corporation constitute the Ports Canada system.


Food from the breadbasket of the world – loading Canadian grain from an elevator

Interestingly, the establishment of local port corporations with increased local autonomy has brought the administration of ports almost full circle to pre-National Harbour Board days. However, the Canada Ports Corporation Act provides a unifying force which was not existent in the days prior to the NHB Act. Moreover, the Financial Administration Act establishes an accountability framework which includes the requirement for five-year corporate plans and annual capital budgets. Extensive participation by the private sector also assists in ensuring the system's continued financial viability. And above all, financial discipline and responsible management are safeguarded by the abilities of management and personnel and the supervision exercised by the Boards of Directors of the corporations comprising the Ports Canada system.


The Pacific Ocean passenger liner "Monteagle" at the CPR wharf in Vancouver

In this latter part of the 1980s, the emphasis has shifted from developing an administrative structure to developing competitive strategies. In the wake of deregulation, competition with U.S. ports is expected to intensify. Hence, the challenge for our ports will be to respond quickly to the needs of the marketplace. This challenge can only be met through intermodalism, that is by maintaining the vital lines between the shipping companies and surface modes of transportation.

In 1985, the Ports Canada system handled over 155 million tonnes of cargo. Its assets are now estimated at approximately $1 billion. Considering the enormity of export markets, (the livelihood of one in five Canadians depends on them), Ports Canada is proud of the role it has played in the country's economy and will continue to serve Canada faithfully and with industry.

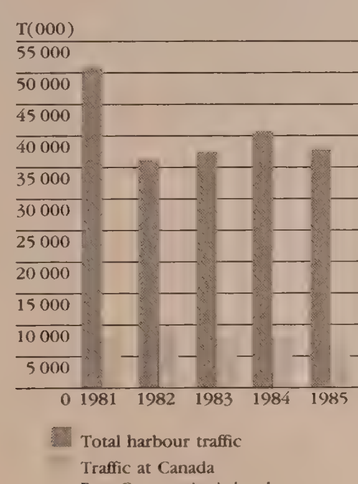
Part of Sir Alexander Gibb's mandate was to review the needs of Canadian ports for 50 years. It is now 50 years since NHB/Ports Canada was established. Sir Alexander's purview has come to an end. We salute his prescience.


The Port of Churchill, in 1956 – a gas diesel for Swift Current, Sask., is off-loaded onto a railway flat-bed.

Canada Ports Corporation

Performance Highlights

- Completion of important projects on the St. Lawrence and Saguenay Rivers
- Continued upgrading of major bulk handling facilities in eastern Canada.



Review of Business

Canada Ports Corporation (CPC) includes the ports of Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Saint John, Sept-Îles and Trois-Rivières. The Port of St. John's was established as a local port corporation effective June 1, 1985, and is excluded from these results.

These ports accounted for 38.1 million tonnes (or 24.5 percent of the total traffic handled in the Ports Canada system), a decrease of 5.9 percent over 1984.

Of this traffic, 18.6 percent or 7.1 million tonnes, were handled at facilities owned by the Corporation. This represents a decrease from 8.8 million tonnes or approximately 19 percent.

While total traffic at CPC ports for 1985 is close to last year's level, individual ports experienced significant changes, and specific commodity volume varied greatly. Most notably, total traffic declined by 37 percent at Trois-Rivières from 3.6 to 2 million tonnes, and by 45 percent at Belledune from 552,000 to 303,000 tonnes, while grain traffic declined substantially in Saint John (38 percent), Trois-Rivières (41 percent) and Churchill (43 percent), but increased in Prescott (63 percent) and Port Colborne (10 percent). Forest products declined 17 percent in Saint John and close to 50 percent in Trois-Rivières.

In Belledune, a 46 percent decrease in phosphate rock was primarily responsible for the overall port traffic decline. In Chicoutimi, a 23 percent decrease in gasoline and 27 percent decrease in fuel oil, was offset by increase in wood pulp (59 percent) and rock salt (31 percent).

Saint John total port tonnage remained relatively the same. However, fluctuations were experienced in most commodities. In addition to grain and forest products, container traffic declined 14 percent. Potash moving through the Barrack Point Terminal was almost 300 percent of 1984 throughput at 280,000 tonnes, and salt increased by 11 percent to 227,000 tonnes.

In Sept-Îles, iron ore traffic decreased by approximately 5 percent from 22 to 21.5 million tonnes, while coal and coke increased 115 percent and 99 percent respectively. Trois-Rivières experienced an overall decrease of 37 percent in port traffic, with decreases in all major commodities, led by grain 40 percent, zinc 34 percent and newsprint 53 percent.

The total revenue from operations for the Canada Ports Corporation was $23.5 million compared with $24.9 million in 1984. Income from operations dropped to a loss of $2.0 million with a net loss of $1.6 million, including the 50 percent share in loss of RTI of $4.8 million. Total capital expenditures during the year reached $17.3 million.

Consistent with the need to provide efficient senior management training that keeps pace with developments in an increasingly complex marine business world, Canada Ports Corporation organized, in cooperation with Seatrade Academy (Cambridge, England), a one-week course on the "Business of Container Transportation". Twenty-five participants from Ports Canada and industry attended this successful course in Cornwall, Ontario from March 17 to 22, 1985. The Corporation intends to organize a similar course on Port Administration in the upcoming months.

With respect to industrial relations, 1985 saw the termination of the application of the government's restraint program in Ports Canada. However, due to the slight decrease in the inflation rate, the average annual increase across the board for Canada Ports Corporation unionized employees was in the order of 3.8 percent. Notwithstanding this obvious era of restraint, management and union continue to enjoy a good relationship.

Recognizing the importance to rationalize and streamline its operations both at National Office as well as the non-corporate ports, the Corporation further reduced its total workforce in 1985 from 373 to 319. Thirty four positions at National Office and 20 positions at non-corporate ports were eliminated.

Financial Overview

Revenue from Operations

Operating revenues were affected mainly by lower containerized and break bulk traffic at the Port of Saint John and, to a lesser extent, by reduced activity in the grain industry in general. As a result, operating revenues of the Canada Ports Corporation decreased by 5.3 percent to $23.5 million in 1985.

Operating Expenses

Savings in manpower costs from ongoing restraint programs and reduced depreciation and grants in lieu of taxes maintained the Corporation's overhead cost base at the same level as 1984.

Interest

Investment income of $8.5 million showed an improvement of 12.5 percent over 1984, reflecting an increased investment base generated by a positive cash flow. Interest costs increased as a result of loans obtained for the completion of the potash terminal at the Port of Saint John.

Income from Operations

Results, before depreciation and interest, from the eight ports operated by the Corporation show funds provided from operations of $3.9 million compared to $5.7 million in 1984. Six of the eight ports showed a decrease in funds provided from operations with the largest decrease of 25 percent ($1.2 million) coming from the Port of Saint John. Provision for depreciation of $5.9 million results in a net loss from operations of $2.0 million for 1985, compared to a loss of $638,000 in 1984. Of particular concern are the negative results for the second consecutive year from the grain ports at Port Colborne and Churchill. In 1985, the Port Colborne elevator recorded an operating loss of $526,000 and a deficiency in funds from operations of $173,000. Similarly, the Port of Churchill reported an operating loss of $2.5 million and a deficiency in funds from operations of $1.6 million. In November, 1985, the Corporation invited proposals from the private sector for long term lease, management or other arrangement for its grain elevator at Port Colborne. The Corporation has also taken steps to reduce its operating costs at Churchill, in light of reduced grain exports through the port.

Capital Investments

The Corporation spent $17.3 million on fixed assets in 1985, compared to $43.5 million in 1984.

The potash terminal at Saint John was completed at a total cost of $24.5 million, and is operational. Expenditures to complete the project in 1985 amounted to $50,000. The multi-year project to repair the cracked piles at Rodney Terminal is ongoing, with $470,000 of the $7 million cost incurred in 1985. To date $2.1 million has been spent on the project.

The development of the Pointe Noire area at the Port of Sept-Îles will carry on through 1987. The Corporation spent $10.3 million on this project in 1985. This $36 million project is funded entirely by federal grants.

The relocation of the Port of Chicoutimi facilities to Grande Anse will be completed in 1986, although operations began in the fall of 1985. The total cost of the project is $26.6 million, of which $4.3 million was spent in 1985. Eighty-five percent of this project is funded by federal grants.

The construction of a replacement tug for the Port of Churchill will take place mainly in 1986, with completion planned for July. This $3.4 million project is also funded entirely by federal grants, of which $370,000 was spent in 1985.

Note

The Port of St. John's was established as a local port corporation effective June 1, 1985. This financial overview excludes results of this port after receiving local port corporation status.

Port of Saint John

The Port of Saint John, which handled approximately 90 percent of New Brunswick's total traffic, is located at the mouth of the Saint John River on the Bay of Fundy.

Saint John is a port of call for several shipping lines mainly from the Far East. Served by both national railways and several trucking firms, the port has specialized terminals for the high speed handling of containers, forest products and bulk cargoes, including petroleum products, grain, salt and potash. The port is also home of Saint John Shipbuilding Ltd., capable of building or servicing large vessels.

In 1985, potash movements commenced over the Barrack Point Terminal from Denison-Potacan. This follows the terminal opening in 1984 with the shipment of production from the Potash Corporation of America. Shipping activity at the terminal is expected to increase to an estimated 1.9 million tonnes annually by 1990.

Saint John is also at the centre of the forest products producing region. Its mills provide an export potential attractive to shipping lines.

Total port traffic in 1985 was 8.7 million tonnes; 6.2 million tonnes or 70 percent were handled at private facilities and consisted of petroleum products. Of the 2.5 million tonnes of traffic handled at Ports Canada owned facilities (compared with 3 million tonnes in 1984), 1.1 million tonnes were bulk commodities composed of petroleum (36 percent), grain (18 percent), potash (25 percent) and salt (20 percent). Container traffic and breakbulk cargo represented 9 and 10 percent of the total port traffic, respectively.

The primary reasons for the decline in the port traffic through Ports Canada facilities were shipping line decisions to relocate some of their container operations elsewhere, reduced grain exports, and increased forest products shipments to the U.S. These were partially offset by increased potash shipments.

Total revenue from operations for the year declined to $11.3 million compared with $12.3 million in 1984. Operating income of $1.0 million and interest earnings of $1.6 million were offset by $3.6 million of interest expense on outstanding loans, leaving the port with a net loss of $1.0 million. This relatively high debt structure has presented problems to the port in the attainment of local port corporation status. During 1985, $1.5 million were invested in capital expenditures.

Port of Belledune

The Port of Belledune is situated on the south shore of the Baie des Chaleurs in New Brunswick about 35 km northwest of Bathurst and 50 km east of Dalhousie. The port has a single berth facility, 167.6 m long, connected to the shore by a 7.5 m wide roadway along the in-shore side of the breakwater.

The wharf and causeway are leased to Belledune Fertilizer for the operation of a bulk cargo facility.

The development of the port is tied to the limited number of users such as Belledune Fertilizer, Shell Canada and CIL. In 1985, these three companies accounted for over 90 percent of the port's throughput volume of 303,000 tonnes, compared with 552,000 tonnes in 1984.

Major commodities unloaded at the port throughout the year included 207,000 tonnes of phosphate rock; 76,000 tonnes of petroleum products; and 4,000 tonnes of sulphuric acid. Outward commodities include 10,000 tonnes of lead ingots and 6,000 tonnes of fertilizer.

In 1985, revenue from operations was $147,000 compared with $234,000 in 1984. The port had an operating loss of $131,000 and a net loss of $96,000.

Port of Sept-Îles

The Port of Sept-Îles is located on the north shore of the St. Lawrence River, approximately 650 km downstream from Québec City, and is known for its large natural harbour. Its water depth of 80 metres at the entrance to Sept-Îles Bay enables the port to service large ocean-going bulk carriers year-round.

The port serves the iron ore mining industry, the principal activity of the region.

New port facilities, located at Pointe Noire, are scheduled for completion in the fall of 1986. These will consist of a 260 metre berth and 12 hectares of open storage area for bulk commodities.

In 1985, total tonnage declined slightly to 22.6 million tonnes compared with 23.1 million tonnes in 1984. Ship-to-ship transfers of coal from lakers to ocean-going carriers rose to 767,000 tonnes from 367,000 tonnes in 1984. A total of 700 ships called at the port, a decrease from 818 the previous year. Other major commodities handled included 21 million tonnes of iron ore and 385,000 tonnes of petroleum products.

The port's total revenue from operations in 1985 was $1.0 million, exactly as in 1984. Operating loss was reduced to $29,000 from $710,000 in 1984, with a net income of $380,000. Total capital expenditures during the year reached $10.3 million.

Port of Chicoutimi

The Port of Chicoutimi is situated at the head of the navigable portion of the Saguenay River, approximately 121 km from the river mouth, with the Baie des Ha! Ha! facilities located downstream from the port. The port hinterland is a lumbering, pulp and paper region as well as supporting such resource-related industries as the production of aluminium.

Port installations consist of the main wharf, located in the downtown area of Chicoutimi for general cargo and bulk commodities, and the Albert Maltais Wharf at Pointe-à-l'Islet for petroleum products, both operated by Ports Canada.

In 1985, the Port of Chicoutimi handled 364,000 tonnes of cargo compared with 415,000 tonnes in 1984. The main port facilities at Baie des Ha! Ha!, owned by Alcan, handled 3.3 million tonnes of traffic consisting of such imports as aluminum ores, caustic soda, chemicals, newsprint as well as aluminium exports. In total, the port handled 3.7 million tonnes of traffic, 11 percent below 1984, primarily due to the change in the transport of petroleum products from marine to surface mode.

In 1985, the port's total revenue from operations was $913,000, compared with $901,000 in 1984. Income from operations was $20,000 while net income grew to $1.0 million. Total capital expenditures at the port during the year reached $4.2 million.

Construction of the new year-round deep-water terminal at Grande Anse neared completion during the year, as scheduled. The terminal received its first waterborne coal shipment in late November, and in December, handled its first shipment of pulp through a new 5,750 m^2 general cargo shed. Full-scale operation of Grande Anse will commence in the spring of 1986.

Port of Trois-Rivières

The Port of Trois-Rivières is situated on the north shore of the St. Lawrence River, midway between Montréal and Québec City, at the mouth of the St. Maurice River.

The port's main exports are grain and pulp and paper. Other commodities handled include salt, zinc ores and chemicals.

In 1985, a total of 451 ships called at the port, compared with 457 ships the previous year. Grain tonnage handled during the year totalled 1.4 million tonnes, a reduction of 41 percent over 1984, due primarily to lower grain export overseas. This affected total traffic which declined to 2.0 million tonnes, compared with 3.1 million tonnes for 1984.

During the year, 50,000 tonnes of newprint were handled, a decline of 55 percent over 1984. This was due to strong competition in international markets, the strength of the U.S. dollar and the weakness of the Canadian dollar. Both these latter factors influenced local producers to sell their products in the U.S. rather than abroad.

In 1985, total revenue from operations declined to $1.9 million, compared with $2.1 million in 1984. Operating income was $120,000 and net income was $1.4 million.

In 1985, a study was completed which confirmed the port facilities were in good condition with sufficient terminal capacity for the next decade.

Port of Prescott

The Port of Prescott is situated on the St. Lawrence River approximately 100 km east of Kingston. The elevator is used for the distribution and storage of western wheat and feed grains. It has a storage capability of 154,000 tonnes, two berths for loading and unloading and an open storage area for dry bulk cargoes. The elevator is served by a rail siding accessible to both CN and CP.

During 1985, the Port of Prescott embarked on a program to attract private operators to the port. This venture, if successful, will provide further diversification and relieve the port from the dependance on the volatile grain market.

In 1985, a 100-tonne per hour grain screener was installed in time to accommodate the 1985 Ontario wheat crop. In total, the port handled 419,000 tonnes of grain. Other commodities handled were 108,000 tonnes of salt and 22,000 tonnes of fertilizer.

The port's total revenue from operations was $2.6 million, compared with $2.3 million in 1984. Income from operations reached $128,000 and net income was $2.3 million.

Port Colborne

Port Colborne is located at the south-end of the Welland Canal on the Seaway system. The 84,000-tonne grain elevator is used mainly for the export of Ontario-grown grain for overseas directly or by transfer to downstream elevators. Local flour mills are supplied with wheat during the winter. The port is serviced by both rail and road.

In 1985, Port Colborne handled 92,000 tonnes of grain, up from 84,000 tonnes in 1984. Total revenue from operations for the year was $1.4 million, equal to the 1984 level. The port had an operating loss of $526,000, with a net income of $270,000.

In 1984, a task force study concluded that a private sector operator would provide the elevator with the greatest potential increase in grain traffic. On November 1, 1985, proposals were invited from the private sector for a long-term lease, management or other arrangement for the operation of the elevator.

Port of Churchill

The Port of Churchill is situated on the Churchill River estuary on the western shore of Hudson Bay. It serves as an export outlet for western Canadian grain and as a re-supply depot for a number of communities in the Northwest Territories.

The terminal facilities include a grain elevator with a 140,000 tonne storage capacity and 6 berths. All berths are served by 10 km of CN track which deliver grain to the port in box cars.

In 1985, the port exported 359,000 tonnes of grain primarily to central and northern Europe and the Soviet Union. This represents a 20 percent decrease in grain shipments compared with 1984, primarily due to the drought resulting in lower grain exports.

From mid-July to mid-September, the Northern Transportation Co. Ltd barged approximately 32,000 tonnes of bulk petroleum products and general cargo to settlements in the Northwest Territories. Northern Transportation Co. Ltd. was recently sold to a consortium of Northern Native concerns and the overall operation is expected to remain unchanged.

In 1985, total revenue from operations declined to $4.3 million from $4.5 million in 1984. The port's operating loss was $2.5 million, with a net loss of $1.6 million. Total capital expenditures during the year reached $662,000.

Auditors' Report

To the Honourable Donald Mazankowski,
P.C., M.P.
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1985 and the statements of income, deficit, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 21, 1986

Balance Sheet as at December 31, 1985

	1985	1984 (restated Note 5)
	(in thousands of dollars)	
Assets		
Current		
Cash	**$ 641**	$ 894
Investments (Note 4)	**61,740**	59,134
Accounts receivable	**4,237**	4,116
Due from Canada	**2,645**	3,468
Materials and supplies	**514**	530
	69,777	68,142
Long-term investments (Note 4)	**19,102**	19,973
Investment in Ridley Terminals Inc. (Note 5)	**16,227**	21,024
Fixed assets (Note 7)	**126,147**	137,321
	$231,253	$246,460
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	**$ 13,539**	$ 14,607
Grants in lieu of municipal taxes	**480**	678
	14,019	15,285
Long-term		
Accrued employee benefits	**1,554**	1,562
Financing provided by a province (Note 9)	**19,696**	18,596
Loans from Canada (Note 10)	**103,144**	104,110
	124,394	124,268
Equity of Canada		
Contribution from Canada (Note 12)	**20,072**	20,072
Contributed capital	**130,734**	142,319
Deficit	**57,966**	55,484
	72,768	86,835
	$231,253	$246,460

On behalf of the Board:

The Honourable A.R. Huntington
Chairman

Denis de Belleval
President and Chief Executive Officer

Statement of Income

for the year ended December 31, 1985

(in thousands of dollars)	1985	1984 (restated Note 5)
Revenue from operations	**$23,548**	$24,862
Operating and administrative expenses – net	**17,581**	16,981
Depreciation	**5,933**	6,290
Grants in lieu of municipal taxes	**2,076**	2,229
	25,590	25,500
Net loss from operations	**(2,042)**	(638)
Investment income	**8,473**	7,526
Interest expense	**(3,720)**	(3,413)
Net income before the undernoted items	**2,711**	3,475
Net income of ports established as local port corporations (Note 3)	**468**	3,714
Share in loss of Ridley Terminals Inc. (Note 5)	**(4,797)**	(1,406)
Net income (loss)	**$ (1,618)**	$ 5,783

Statement of Deficit

for the year ended December 31, 1985

(in thousands of dollars)	1985	1984 (restated Note 5)
Deficit at beginning of the year		
As previously reported	**$56,775**	$156,521
Adjustment of prior year's share in loss of Ridley Terminals Inc. (Note 5)	**1,291**	—
As restated	**55,484**	156,521
Net income (loss)	**(1,618)**	5,783
	57,102	150,738
Deficit assumed by local port corporations (Note 3)	**—**	(95,254)
Surplus transferred to a local port corporation (Note 3)	**864**	—
Deficit at end of the year	**$57,966**	$ 55,484

Statement of Contributed Capital

for the year ended December 31, 1985

(in thousands of dollars)	1985	1984
Contributed capital at beginning of the year	**$142,319**	$322,385
Contributed capital transferred to local port corporations (Note 3)	**(11,585)**	(180,066)
Contributed capital at end of the year	**$130,734**	$142,319

Statement of Changes in Financial Position

for the year ended December 31, 1985

(in thousands of dollars)

	1985	1984 (restated Note 5)
Operating Activities		
Net income (loss)	**$(1,618)**	$ 5,783
Items not affecting cash		
Depreciation	**6,078**	7,981
Deferred interest	**609**	2,392
Share in loss of Ridley Terminals Inc.	**4,797**	1,406
Other	**122**	(241)
Decrease (increase) in operating components of working capital	**(245)**	4,371
Cash provided by operating activities	**9,743**	21,692
Financing Activities		
Capital grants	**14,127**	34,880
Loans from Canada	**2,570**	4,881
Recoverable contribution from Canada	**—**	106
Loans from Canada currently payable	**(1,712)**	(1,112)
Decrease (increase) in current portion of financing provided by a province	**1,100**	(810)
Repayment of deferred interest	**(486)**	—
Cash provided by financing activities	**15,599**	37,945
Investing Activities		
Additions to fixed assets	**17,310**	43,516
Investment in Ridley Terminals Inc. – net	**—**	3,159
Other	**(12)**	(242)
Cash required by investing activities	**17,298**	46,433
Increase in cash and short-term investments	**8,044**	13,204
Cash and short-term investments at beginning of the year	**60,028**	94,170
Cash and short-term investments transferred to local port corporations (Note 3)	**(5,691)**	(47,346)
Cash and short-term investments at end of the year	**$62,381**	$60,028

Notes to Financial Statements

December 31, 1985

1. Canada Ports Corporation Act
Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. Significant Accounting Policies
a) Financial statements
The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

c) Investment in Ridley Terminals Inc.
The investment in Ridley Terminals Inc. is accounted for on the equity basis.

d) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for worker's compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

i) Interest on contribution from Canada
Interest on the contribution from Canada is reflected in the financial statements in the year paid as it is contingent upon the receipt of dividends from Ridley Terminals Inc.

3. Local Port Corporations
Effective June 1, 1985, the Port of St. John's was established as a local port corporation under the name of St. John's Port Corporation. The Port of Halifax, the Port of Québec and the Port of Prince Rupert had been previously established as local port corporations on June 1, 1984 under the names of Halifax Port Corporation, Port of Québec Corporation and Prince Rupert Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the local port corporations at their carrying value in the accounts of the Corporation as follows:

(in thousands of dollars)

	1985	1984
Assets		
Cash and short-term investments	**$ 5,691**	$ 47,346
Other working capital	**(303)**	(2,248)
Long-term investments	**944**	6,589
Long-term amounts receivable	**—**	245
Fixed	**8,135**	152,425
	$14,467	$204,357
Liabilities		
Long-term accrued employee benefits	**$ 69**	$ 1,619
Loans from Canada	**1,949**	68,668
Recoverable contribution from Canada	**—**	49,258
	2,018	119,545
Equity		
Contributed capital	**11,585**	180,066
Deficit	**—**	(95,254)
Surplus	**864**	—
	$14,467	$204,357

The statement of income includes the results of operations of the Port of St. John's for the five month period ended May 31, 1985 and for the year ended December 31, 1984, and the results of operations of the Port of Halifax, the Port of Québec and the Port of Prince Rupert for the five month period ended May 31, 1984 as follows:

(in thousands of dollars)

	1985	1984
Revenue from operations	**$975**	$15,753
Operating and administrative expenses	**573**	11,520
Depreciation	**145**	1,691
Grants in lieu of municipal taxes	**18**	1,351
	736	14,562
Net income from operations	**239**	1,191
Investment income	**291**	2,678
Interest expense	**(62)**	(155)
Net income of ports established as local port corporations	**$468**	$ 3,714

4. Investments
Investments, which are direct and guaranteed securities of Canada, are:

(in thousands of dollars)

	1985		1984	
	Cost	**Market Value**	Cost	Market Value
Current	**$61,740**	**$61,726**	$59,134	$59,360
Long-term	**$19,102**	**$21,830**	$19,973	$20,015

5. Investments in Ridley Terminals Inc.
Ridley Terminals Inc. (RTI) was incorporated on December 18, 1981, under the Canada Business Corporations Act to develop, manage and operate a coal terminal on Ridley Island at the Port of Prince Rupert.

At December 31, 1985, Canada Ports Corporation (the Corporation) had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the Class A preference shares ($23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the Class B preference shares ($23,020,500) of RTI.

As a result of RTI's successful appeal of the assessment of the 1983 and 1984 property taxes, $2,582,000 was refunded to RTI in March 1985. The Corporation's deficit balance at January 1, 1985, has been adjusted by $1,291,000 representing the Corporation's 50% share of the amount received. Since RTI began operations in 1984, net income for that year has been restated by the entire amount.

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity in RTI which, at December 31, 1985, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

The investment in Ridley Terminals Inc. is composed of:

(in thousands of dollars)	1985	1984 (restated)
Balance at beginning of the year	**$21,024**	$19,271
Investment in shares	—	3,450
Elimination of inter-company charges	—	(291)
Share in loss	**(4,797)**	(1,406)
Balance at end of the year	**$16,227**	$21,024

A summary of the balance sheet of RTI as reported in its audited financial statements shows:

(in thousands of dollars)	1985	Dec. 31, 1984 (restated)
Assets		
Current	**$ 4,580**	$ 8,739
Fixed	**230,540**	236,420
Other	**92**	100
	$235,212	$245,259
Liabilities		
Current	**$ 1,941**	$ 3,768
Long-term debt	**199,636**	198,261
	201,577	202,029
Equity	**33,635**	43,230
	$235,212	$245,259

RTI has long-term financing agreements with a major Canadian bank as follows:

a) a construction credit agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 and the balance repayable January 31, 2000. As at December 31, 1985, the indebtedness under this agreement amounted to $199,036,000.

This indebtedness includes bank loans of $65,000,000 at the bank's prime rate payable monthly, and Bankers Acceptances, net of unamortized interest charges, of $134,036,000. The Bankers' Acceptance fee is currently ½% per annum.

b) a revolving credit loan agreement which provides an $80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments and the balance on January 31, 1992. This agreement is secured by a collateral demand debenture with the terminal facility as security and an assignment of the lease with the Prince Rupert Port Corporation. Interest on the revolving credit loan agreement is at the bank's prime rate plus ¼% per annum, payable monthly. As at December 31, 1985, drawdowns of this credit facility amounted to $600,000.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The Class B preference share annual dividend of 20% is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profit taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates in the event that dividends accrued are not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1985, calculated at tax rates prevailing as at that date with respect to the Class B rate amount to:

(in thousands of dollars)

	1985	1984
Class A preference shares held by Canada Ports Corporation	**$12,930**	$ 7,196
Class B preference shares held by Fednav Limited	**29,764**	15,793
	$42,694	$22,989

6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amout of $14,257,000 (1984 – $14,355,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c. 8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Therefore, both the debentures received and advances and loans payable to Canada have been offset against each other and are not reflected as a separate asset and liability on the balance sheet. Interest income and expense of $978,000 (1984 – $985,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1985, this transfer had not been completed.

RTI became operational September 1, 1984. The results of its operations for the year ended December 31, 1985, in comparison with the four month period ended December 31, 1984, are as follows:

(in thousands of dollars)

	1985	1984 (restated)
Revenue from operations	**$30,855**	$12,008
Operating and administrative expenses	**12,943**	4,377
Depreciation	**7,212**	2,255
Interest expense	**20,294**	8,188
	40,449	14,820
Net loss	**$ (9,594)**	$ (2,812)

7. Fixed Assets

a) Summary

(in thousands of dollars)

	Depreciation rates (%)	Cost	Accumulated depreciation	1985 Net	1984 Net
Land		$ 35,647	$ —	$ 35,647	$ 38,843
Dredging	2.5-6.7	11,297	6,110	5,187	5,619
Berthing structures	2.5-10	96,869	40,779	56,090	58,515
Buildings	2.5-10	31,266	18,538	12,728	14,077
Utilities	3.3-10	9,986	3,581	6,405	6,920
Roads and surfaces	2.5-10	6,598	4,869	1,729	2,176
Machinery and equipment	5-100	21,912	15,575	6,337	7,458
Office furniture and equipment	20	2,509	2,047	462	514
Works under construction		1,562	—	1,562	3,199
		$217,646	$91,499	$126,147	$137,321

b) Capital grants
During the year, the Corporation received capital grants totalling $14,127,000 (1984 – $34,880,000) towards the construction of capital projects.

c) Capital expenditure commitments
Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $3,700,000, of which most will be expended in the year ending December 31, 1986.

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following:

(in thousands of dollars)

	1985	1984
Deferred revenues	$ 749	$1,003
Current portion of long-term liabilities	$1,712	$2,212

9. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John, which is owned by the Corporation. Until the non-interest bearing advance is repaid, the Province will receive annual principal payments equal to 47% of the net operating income of the terminal. As at December 31, 1985, the Corporation has not provided for any current portion payable estimated at $750,000 as the net operating income has been eliminated by the application of the cost of major repairs to the terminal. The Province is disputing this accounting treatment.

10. Loans from Canada

	(in thousands of dollars)	
	1985	1984
Loans bearing interest at 6.44% to 15.625% with blended annual principal and interest repayment requirements of $4,870,000 and maturing between December 31, 1993 and 2005	**$ 29,362**	$ 29,470
Deferred interest	**4,371**	4,247
Less: current portion	**1,712**	1,112
	32,021	32,605
Non-interest bearing loans with indefinite due date	**55,609**	55,609
Accrued interest on loans not due and payable	**15,514**	15,896
	$103,144	$104,110

Loans of $19,737,000 from Canada for the construction of new terminal facilities for the Port of Saint John bear interest at rates of between 11.0% and 15.6%. Payment of the interest on these loans was deferred until March 31, 1985, and thereafter repayment is to be made in ten equal instalments of $486,000, without interest, commencing December 31, 1985.

Principal repayment requirements over the next five years amount to $1,226,000 in 1986, $1,369,000 in 1987, $1,529,000 in 1988, $1,708,000 in 1989 and $1,909,000 in 1990.

11. Contingencies

Claims aggregating approximately $1,500,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

12. Contribution from Canada

In 1982, the Corporation received from Canada a contribution of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution are to be determined by Treasury Board and the Corporation prior to April 1, 1989.

Interest is to be calculated on the contribution at the average borrowing rate for Crown corporations in effect while the contribution is outstanding. The payment of principal and interest is contingent upon the receipt of dividends from Ridley Terminals Inc. Interest on this contribution will be reflected in the financial statements in the year paid. At December 31, 1985, the interest accumulated is approximately $9,500,000.

13. Subsequent Event

Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the six Local Port Corporations, of which $83,000,000 is payable by March 31, 1986, and $50,000,000 by June 30, 1986.

The Board of Directors of Canada Ports Corporation has resolved at its meeting of February 11, 1986, to remit to Canada the sum of $17,536,000 representing the Corporation's share of the $83,000,000 requested contribution payable by March 31, 1986. The Corporation's share of the $50,000,000 payable by June 30, 1986 has not yet been considered by the Board.

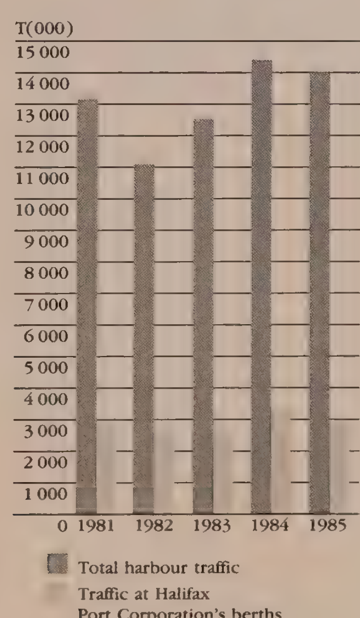
14. Comparative Figures

The 1984 figures have been reclassified in order to conform with this year's presentation.

Halifax Port Corporation

Performance Highlights

- Number of Vessels 2,284
- Average Gross Registered Tonnage of Vessels 10,968
- Average Cargo per Vessel (in tonnes) 6,140
- Average Revenue per Vessel (in dollars) 5,149



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Raymond V. Beck


David F. Bellefontaine

Halifax, Nova Scotia, birthplace of Samuel Cunard, and later the first North American terminal for the liners he made famous, is now one of Canada's largest ports in terms of traffic and Canadian trade. Since the beginning, Halifax harbour has been a safe haven for every type of ship, from 18th century privateers and the southern blockage runners of the American Civil War, to the steel leviathans of modern commerce and war. Its potential as a military and naval base was recognized by Edward Cornwallis in 1749, when he founded Halifax during the conflict between the French and English over the control of North America.

The Port of Halifax has experienced many events over the past years. It served as a strategic port for the assembly of the great convoys of the First and Second World Wars and it was one of the first Canadian ports to enter the containerization era, when in 1969, container operations began at a temporary site on Pier «A1». In November 1970, the operation moved to the permanent site at Pier «C». The Port of Halifax has also been a port of entry for the Royal Yacht Britannia, and, more recently in 1984, it hosted the world famous Parade of Sail event. Finally, Halifax was again chosen as the site for the 1985 Naval Review which commemorated the 75th anniversary of the naval service of Canada. Indeed, legends of history abound at the Port of Halifax.

The Halifax Port Corporation is cognizant of the fact that it operates in a highly competitive commercial business–world shipping. Its mandate to provide safe and efficient marine terminals and facilities to support Canadian and international trade has never been more pronounced than at the present time. Major capital investments are made on an ongoing basis in order to ensure that the Port of Halifax maintains its capability to attract shipping lines from around the globe.

Capital Expenditures

Capital expenditures in 1985, totalled $12.3 million, of which $11.4 million was invested in the Fairview Cove Container Pier berth extension, which is scheduled for completion by June 1986. This enlarged facility will be able to accommodate two large container ships simultaneously and will enhance the port's competitiveness. The port now boasts a container handling capacity of about 4 million tonnes annually, with more than 100 acres of container terminal space.

Over the past ten years, a total capital investment of $57.4 million has been made on port facilities, equipment and infrastructure; over the next five years, the port plans to spend $11.9 million on its capital program to ensure the continued availability of efficient terminal capacity. The port's policy of a sound return on investments will ensure the continued financial viability of the port.

Cargo Highlights

Total port traffic reached a level of 14.0 million tonnes in 1985, down slightly from the 14.3 million tonnes recorded in 1984. Receipts of crude oil increased to 4.4 million tonnes, up by 4.9 percent, and outward shipments of gypsum reached a level of 3.0 million tonnes, up by 10.6 percent from the 1984 movements. Reduced shipments of refined oil resulted in a 60.0 percent drop in this activity.

Containerized cargo reached 1.95 million tonnes, down slightly from the 1.98 million tonnes recorded a year earlier. The number of 20-foot equivalent units (TEU) rose from 250,370 to 263,059 (5.1 percent). Containerized cargo at Halifax Port Corporation berths represents 66.6 percent of the total cargo, up from 62.6 percent in 1984. The average cargo per vessel increased by 9.7 percent, from 5,598 tonnes to 6,140 tonnes, which highlights the trend to fewer but larger vessels, a trend which is expected to continue in the future.

Financial Results

Revenue from operations was $11.8 million, down from $13.6 million in 1984; total expenses reached $10.7 million, a decrease from $11.4 million in 1984. Net income from operations was $1.1 million, a decrease of $1.1 million from 1984; net interest income for the year was $0.6 million, compared to $1.0 million in 1984. Net income was $1.7 million, a reduction of $1.6 million from the preceding year. The Corporation reduced its working capital by $9.2 million in 1985, of which $8.1 million constituted reduction in investments in Treasury Bills which were utilized for capital projects. The reduction in investment income combined with a slight cargo decrease resulted in a decline in port profits.

On October 1, 1985, the Halifax Port Corporation entered into a lease agreement with Nosco Marine Industries Inc. for the operation of the grain elevator facility. Prior to that date, this facility was operated and managed by the Halifax Port Corporation. The new company plans to increase grain volume through the grain facility and enhance its competitiveness for the export of grain and related products.

In December 1985, the Shipping Corporation of Trinidad and Tobago commenced a new service out of Halifax. The line expects to call Halifax every two weeks en route to Haiti. In addition, Associated Container Transportation, ACT/PACE line announced a new slot charter agreement with Columbus Line, with the service to commence operations out of Halifax in 1986.

These recent announcements support port management's philosophy that the Port of Halifax is in a strategic point on the eastern coast of Canada for the attraction of large container shipping lines and for round the world services which are expected to become more predominant in the near future. The future looks very healthy for the Port of Halifax with all indications predicting steady traffic growth combined with additional shipping lines.

We take this opportunity to express our sincere gratitude to all employees of the Corporation for their dedicated service, and to our colleagues in the shipping industry, waterfront union workers and all port users for their invaluable contribution to the success of the Halifax Port Corporation over the past year. Only through the cooperation of the entire shipping community can a port achieve a high degree of success. The Halifax Port Corporation has this cooperative spirit and plans to use it to its advantage.

R. V. Beck

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Donald Mazankowski, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1985, and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Doane Raymond

Chartered Accountants

Halifax, Nova Scotia
February 7, 1986

Balance Sheet December 31, 1985

Assets	**1985**	1984
Current		
Cash	**$ 228,147**	$ 238,978
Investments (Note 3)	**3,597,121**	11,683,144
Accounts receivable	**1,753,353**	2,315,218
Due from Canada		238,502
Materials and supplies	**84,491**	85,416
	5,663,112	14,561,258
Investments (Note 3)	**33,090**	32,985
Amounts receivable	**350,782**	268,499
Fixed (Note 4)	**54,172,543**	43,397,035
	$60,219,527	$58,259,777

Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 4,468,785**	$ 4,129,316
Grants in lieu of municipal taxes	**163,809**	184,634
Deferred revenues	**523,308**	541,879
	5,155,902	4,855,829
Accrued employee benefits	**652,043**	693,154
Loans from Canada (Note 5)	**30,556,933**	30,556,933
	36,364,878	36,105,916

Equity		
Contributed capital	**72,136,346**	72,136,346
Deficit	**(48,281,697)**	(49,982,485)
	23,854,649	22,153,861
	$60,219,527	$58,259,777
Commitments (Note 6)		

On behalf on the Board:

R. V. Beck

Raymond V. Beck
Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

Statement of Income and Deficit

year ended December 31, 1985 with comparative figures for the seven months ended December 31, 1984	**1985**	1984
Revenue from operations	**$ 11,760,904**	$ 6,959,101
Operating and administrative expenses	**8,224,153**	5,129,113
Depreciation	**1,519,654**	906,107
Grants in lieu of municipal taxes	**941,595**	524,400
	10,685,402	6,559,620
Income from operations	**1,075,502**	399,481
Other income	**625,286**	718,247
Net income	**1,700,788**	1,117,728
Deficit, beginning of year	**(49,982,485)**	(51,100,213)
Deficit, end of year	**$(48,281,697)**	$(49,982,485)

Statement of Changes in Financial Position

year ended December 31, 1985 with comparative figures for the seven months ended December 31, 1984	**1985**	1984
Operating activities		
Net income	**$ 1,700,788**	$ 1,117,728
Depreciation	**1,519,654**	906,107
Other	**(51,772)**	(54,811)
Decrease in operating components of working capital	**1,101,367**	3,845,753
Cash provided by operating activities	**4,270,037**	5,814,777
Financing activities		
Capital grants	**(10,263)**	600,408
Loans from Canada	**2,650,000**	—
Loans from Canada currently payable	**(2,650,000)**	—
Cash provided by (applied to) financing activities	**(10,263)**	600,408
Investing activities		
Additions to fixed assets	**(12,288,251)**	(4,825,739)
Other	**(68,377)**	(13,200)
Cash required by investing activities	**(12,356,628)**	(4,838,939)
Increase (decrease) in cash and short-term investments	**(8,096,854)**	1,576,246
Cash and short-term investments, beginning of the year	**11,922,122**	10,345,876
Cash and short-term investments, end of year	**$ 3,825,268**	$11,922,122

Notes to Financial Statements

December 31, 1985

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of Halifax to the Halifax Port Corporation.

2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Insurance
Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

	1985		1984	
	Amortized Cost	**Face Value**	Amortized Cost	Face Value
Short term	**$3,597,121**	**$3,618,500**	$11,683,144	$12,089,900
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Long term	**$ 33,090**	**$ 33,242**	$ 32,985	$ 30,380

4. Fixed Assets

	1985				1984
	Depreciation Rates %	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land		**$18,024,654**	**$ —**	**$18,024,654**	$18,024,654
Dredging	**2.5-6.7**	**2,596,947**	**2,174,717**	**422,230**	449,107
Berthing structures	**2.5-10**	**24,230,941**	**16,377,152**	**7,853,789**	8,160,381
Buildings	**2.5-10**	**18,691,154**	**11,463,401**	**7,227,753**	6,131,417
Utilities	**3.3-10**	**2,947,757**	**1,544,778**	**1,402,979**	1,495,385
Roads and surfaces	**2.5-10**	**5,578,487**	**2,879,548**	**2,698,939**	2,827,257
Machinery and equipment	**5-100**	**8,931,084**	**7,376,761**	**1,554,323**	1,562,296
Office furniture and equipment	**20**	**610,493**	**258,786**	**351,707**	167,335
Projects under construction		**14,636,169**	**—**	**14,636,169**	4,579,203
		$96,247,686	**$42,075,143**	**$54,172,543**	$43,397,035

5. Loans from Canada

	1985	1984
Non-interest bearing loans with indefinite due date	**$25,555,762**	$25,555,762
Accrued interest on loans	**5,001,171**	5,001,171
	$30,556,933	$30,556,933

The loans from Canada are unsecured.

6. Commitments

Funds have been committed on capital projects as at December 31, 1985 in the amount of $981,225. The full amount is expected to be spent during 1986.

7. Subsequent Event

The Government of Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the six Local Port Corporations, of which $83,000,000 is payable by March 31, 1986 and $50,000,000 by June 30, 1986.

Of these amounts $1,920,000 has been assessed to Halifax Port Corporation representing its share of the $83,000,000 amount which is payable by March 31, 1986.

Board of Directors

Raymond V. Beck
Chairman
Former General Manager
Halifax Port Corporation
Halifax, N.S.

Donald A. Parker
Vice-Chairman
President of various local companies
Dartmouth, N.S.

Gerald E. Simmons
Retired Regional Manager
Saguenay Shipping Ltd. and former Chairman, Halifax Port Authority
Dartmouth, N.S.

Paul M. Murphy, Q.C.
Partner, law firm of Patterson Kitz
Halifax, N.S.

Harald A. Henriksen
General Manager
Karlsen Shipping Company Ltd.
Halifax, N.S.

Florence Irwin
Partner, Canadian Annuity and Insurance Services Ltd.
Bedford, N.S.

Michael J. Proude
President
International Longshoremen's Association Local 269
Dartmouth, N.S.

Officers of the Corporation

Raymond V. Beck
Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Richard T. Pentland
Director of Engineering

Dennis W. Creamer
Director of Finance and Administration

Robert A. Kaye
Director of Marketing

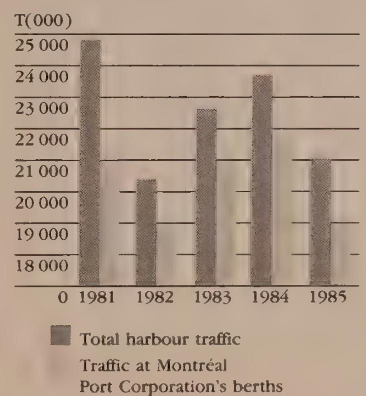
D. James Muzzin
Director of Personnel and Industrial Relations

Captain Claude W. Ball
Director of Operations/Harbour Master

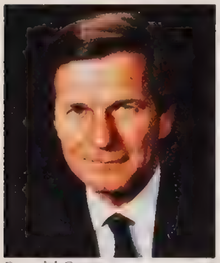
Montréal Port Corporation

Performance Highlights

- Canada's number one container port handling 50 percent of total containerized cargo.
- Ranks third on the east coast of North America for total containerized traffic, after New York and Baltimore.
- 17,000 direct and indirect jobs depend on the port and its activity generates economic benefits valued at $750 million.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Ronald Corey


Dominic J. Taddeo

Time and progress have turned Montréal from a 17th-century trading post into the major shipping centre we know today, Canada's number one container port. In the half century that has unfolded since a national port system was created, the Port of Montréal has witnessed some remarkable events. In 1968, the port proudly handled the first container in Canada. Since the mid-seventies, it has enjoyed a degree of industrial harmony that is the toast and in some cases the envy of the shipping world. It also marked a record year in 1980, handling a total of 24.9 million tonnes.

Through these and many other events, the Port of Montréal has made a unique contribution, of which it is pleased and proud, to the success of Canada's national port system.

The new heights that the Port of Montréal reached in 1985 were not a matter of chance; rather they were the results of daily effort. At the same time, the Port of Montréal saw a downturn in two key sectors, a slump over which the port had no control; grain shipments declined after two consecutive poor harvests, and crude oil shipments dropped when the transportation subsidies on domestic crude were eliminated.

The operating revenues for the port totalled $54.7 million for 1985, compared to $57.3 million in 1984. The operating and administrative costs increased less than 4 percent from $46.4 million in 1984 to $47.9 million in 1985. The net operating result for the Port of Montréal thus went from $10.9 million in 1984 to $6.8 million in 1985. The net result amounted to $19.8 million for 1985 compared with $26.8 million the preceding year.

Nevertheless, the steady increase in containerized traffic and for the sixth consecutive year, a positive financial result, both explain and confirm the vitality of the Montréal Port Corporation.

Traffic Results

The Port of Montréal was proud to have set a record in 1984 for the handling of general cargo. In 1985, it beat this record with a 204,000 tonne increase over the previous year. The 5.44 million tonnes of general cargo handled in 1985 represent a 3.9 percent increase over 1984.

In addition, the handling of containerized cargo set a new record last year.

The volume of containerized traffic thus went from 4.1 million tonnes in 1984 to 4.4 million tonnes in 1985. This is a 6.6 percent increase. The number of 20 feet equivalent units (TEU's) went from 428,747 to 481,525. If this makes us especially proud, it is because of the key economic and strategic importance of this type of activity, an area of intense competition between the major ports.

Containerized cargo transport has assumed an increasingly important role in total worldwide traffic. And the Montréal Port Corporation is blessed with many advantages to enhance the movement of containerized cargo.

Its geographic location makes it a key port in North Atlantic shipping and an excellent gateway to North America. Located at the intersection of major rail and road networks, the Port of Montréal provides a road-rail service which has been highly praised for its cost effectiveness.

All of these factors contribute to make the Port of Montréal Canada's leading container port. It handles 50 percent of all containerized traffic moved through Canadian ports. Our share of the eastern Canadian market remains at approximately 60 percent.

Our somber forecasts from the prior year unfortunately materialized. Grain traffic fell 1.2 million tonnes from 5.8 million tonnes in 1984, to 4.6 million tonnes in 1985, a reduction of 20.7 percent. Following the poor 1984 fall harvest, western producers suffered a second bad season last summer and the effects were felt at the export level in the Port of Montréal. It should be noted however that the Port of Montréal nonetheless succeeded in maintaining its market share in this sector.

Petroleum products also registered a significant decline in 1985. Handling of petroleum products dropped from 7.9 million tonnes in 1984 to 6 million tonnes in 1985. This is a decline of 24.1 percent. Canadian producers benefited from transport subsidies for a three year period. But, in June of 1985, this program was eliminated and, consequently, domestic outflows of crude oil ceased. During the first six months of the year, the Port of Montréal handled 900,000 tonnes of oil, as compared with 2.6 million tonnes in 1984.

Total traffic at the Port of Montréal reached 21.1 million tonnes in 1985, a decrease of 2.7 million tonnes from 1984, or 11.4 percent.

Prospects

We look to the future with unbridled optimism. It is understood that we must remain realistic and keep track of those factors beyond our control which will continue to affect the traffic in certain types of cargoes during 1986.

Thus, the poor grain harvest of 1985 will continue to be felt through the first half of this year. Along with Canadian grain producers, we can only hope for a better harvest in the summer of 1986. In the petroleum sector, we cannot count on the 900,000 tonnes handled during the first half of 1985.

Containerization is the future of the shipping industry; in terms of revenues and job creation, containerized cargo handling is essential to the vitality of the port and, as witnessed by the results, the port plays a major role in this area. The increase of containerized traffic within the current limits of the Port of Montréal can therefore only be assured by improving and expanding the container facilities currently in place.

We anticipate accordingly investing some $170 million in the period 1986-1990 broken down as follows: $80 million for the expansion of container terminals and other facilities related to this sector; $30 million to improve, upgrade and expand the entire rail network infrastructure, which is a major asset and the key to continued growth in containerized traffic; $40 million will go to the improvement and modernization of our grain elevators, essential for preserving our share of the market. Finally, related installations, including the passenger wharf and other facilities will require approximately $20 million.

In conclusion, we would like to express our warmest appreciation to the Port of Montréal employees for their cooperation and to our colleagues in the maritime industry. The Port of Montréal's success is the fruit of the individual and collective labours of all within the port community.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Donald Mazankowski,
P.C., M.P.
Minister of Transport

We have examined the statements of income, deficit and changes in financial position of the Montréal Port Corporation for the fiscal year ended December 31, 1985 and its balance sheet at that date. Our examination was made in accordance with generaly accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1985 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with the Financial Administration Act and regulations thereto, the charter and by-laws of the Corporation and any directive given to the Corporation.

Samson Bélair

Chartered Accountants

Montréal, Quebec
February 19, 1986

Balance Sheet as at December 31

(in thousands of dollars)

Assets	**1985**	1984
Current		
Cash	**$ 298**	$ 644
Investments (note 4)	**79,594**	67,116
Accounts receivable	**10,003**	9,469
Materials and supplies	**774**	733
	90,669	77,962
Long-term		
Investments (note 4)	**39,041**	38,984
Receivable	**552**	578
	39,593	39,562
Fixed assets (note 5)	**123,433**	119,626
	$253,695	$237,150

Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	**$ 9,022**	$ 9,277
Grants in lieu of municipal taxes	**2,851**	5,496
	11,873	14,773
Long-term		
Accrued employee benefits	**5,207**	5,277
Loans from Canada (note 7)	**238,869**	239,208
	244,076	244,485

Equity of Canada		
Contributed capital	**19,243**	19,243
Deficit	**(21,497)**	(41,351)
	(2,254)	(22,108)
	$253,695	$237,150

On behalf on the Board:

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

Statement of Income (in thousands of dollars)

for the year ended December 31

	1985	1984
Revenue from operations	**$54,729**	$57,325
Operating and administrative expenses	**37,345**	35,829
Depreciation	**6,711**	6,298
Grants in lieu of municipal taxes	**3,914**	4,287
	47,970	46,414
Net income from operations	**6,759**	10,911
Investment income	**12,006**	10,232
Interest expense	**523**	542
	11,483	9,690
Net income before unusual and extraordinary items	**18,242**	20,601
Adjustment of grants in lieu of municipal taxes	**1,612**	
Net income before extraordinary item	**19,854**	20,601
Net gain on disposal and devaluation of fixed assets		6,205
Net income for the year	**$19,854**	$26,806

Statement of Deficit (in thousands of dollars)

for the year ended December 31

	1985	1984
Balance at beginning	**$41,351**	$68,157
Net income for the year	**19,854**	26,806
Balance at the end	**$21,497**	$41,351

Statement of Changes in Financial Position (in thousands of dollars)

for the year ended December 31

	1985	1984
Operating activities		
Net income before extraordinary item	**$19,854**	$20,601
Items not requiring an outlay of funds		
Depreciation	**6,711**	6,298
Others	**(63)**	592
	26,502	27,491
Cash used by changes in other elements in working capital (note 3)	**(3,475)**	(2,606)
	23,027	24,885
Financing activities		
Repayment of loans from Canada	**(339)**	(319)
Investing activities		
Disposal of long-term investments		275
Acquisition of long-term investments	**(57)**	
Receipt of long-term receivable	**26**	445
Disposal of fixed assets		13,244
Acquisition of fixed assets	**(10,525)**	(23,705)
	(10,556)	(9,741)
Increase in cash during the year	**12,132**	14,825
Cash at beginning	**67,760**	52,935
Cash at end	**$79,892**	$67,760
Cash		
Cash	**$ 298**	$ 644
Investments (treasury bills)	**79,594**	67,116
	$79,892	$67,760

Notes to Financial Statements

December 31, 1985

1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act on July 1, 1983.

Following section 6.5 of the Canada Ports Corporation Act on the establishment of a local port corporation, all rights, obligations and liabilities of the Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation, as it is for the Corporation.

2. Significant Accounting Policies

a) Fixed assets and depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

d) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with Corporation policy.

3. Changes in Elements in Working Capital

(in thousands of dollars)

	1985	1984
Increase (decrease) in accounts receivable	**$ 534**	$ (230)
Increase (decrease) in materials and supplies	**40**	(63)
Decrease in accounts payable and accrued liabilities	**256**	1,855
Decrease in grants in lieu of municipal taxes	**2,645**	1,044
	$3,475	$2,606

4. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31,1985, the market value of the short-term investments represents its amortized cost, and that of long-term investments is $43,881,239 ($37,694,896 in 1984).

5. Fixed Assets

(in thousands of dollars)

	Depreciation Rates (%)	Cost (1985)	Accumulated Depreciation (1985)	Net Value (1985)	Net Value (1984)
Land		**$ 18,060**	**$ —**	**$ 18,060**	$ 17,967
Dredging	**2.5**	**15,325**	**11,538**	**3,787**	4,052
Berthing structures	**2.5**	**58,946**	**36,059**	**22,887**	23,472
Buildings	**2.5**	**61,070**	**27,652**	**33,418**	33,676
Utilities	**5**	**12,782**	**6,001**	**6,781**	6,466
Roads and surfaces	**2.5-10**	**27,453**	**8,759**	**18,694**	14,279
Machinery and equipment	**5-20**	**41,473**	**26,848**	**14,625**	16,573
Office furniture and equipment	**20**	**893**	**645**	**248**	220
		236,002	**117,502**	**118,500**	116,705
Projects under construction		**4,933**	**—**	**4,933**	2,921
		$240,935	**$117,502**	**$123,433**	$119,626

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of $792,840 ($770,520 in 1984) and for the current portion of long-term liabilities of $339,365 ($319,403 in 1984).

7. Loans from Canada

(in thousands of dollars)

	1985	1984
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000	**$ 8,051**	$ 8,370
Less: Current portion	**339**	319
	7,712	8,051
Non-interest bearing loans with indefinite due date	**132,995**	132,995
Accrued interest on loans not due nor payable	**98,162**	98,162
	$238,869	$239,208

Principal repayment requirements over the next five years amount to:

1986	$ 339,365
1987	$ 360,576
1988	$ 383,112
1989	$ 407,056
1990	$432,497

8. Contingencies

Claims aggregating approximately $5,811,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry other legal matters in dispute that have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Capital Expenditure Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $10,978,503.

10. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally of grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

11. Subsequent Events

The Government of Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from the Ports Canada system (made up of the Canada Ports Corporation and the six Local Port Corporations) of which $83,000,000 is payable by March 31, 1986, and $50,000,000 by June 30, 1986.

The Board of Directors of the Corporation resolved at its meeting of February 19, 1986, to remit to the Government of Canada the sum of $33,018,000 representing the Corporation's share of the requested contribution of $83,000,000 payable by March 31, 1986. The Corporation's share of the $50,000,000 payable by June 30, 1986 has not been considered by the Board.

In 1986, these contributions will be charged to the contributed capital and/or to the non-interest bearing loans with indefinite due dates.

Board of Directors

Ronald Corey*
Chairman
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

Bernard J. Finestone*
Vice-Chairman
President, Abbey-Finestone Inc.
Westmount, Que.

Rosaire Archambault
President
Archambault Musique Inc.
Montréal, Que.

Roger Bishop
Member, local 375
International Longshoremen's Association
Brossard, Que.

André Gingras
President
André Gingras & Ass. Inc.
Westmount, Que.

Yvon Lamarre
Chairman of the Executive Committee
City of Montréal
Montréal, Que.

Arnold E. Masters*
President
Maritime Employers Association
Montréal, Que.

*Members of the Executive Committee

Officers of the Corporation

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

Roger Dubé
Director of Finance and Administration

Capt. Dea Hassib
Director of Operations

Pierre Legault
Director of Human Resources

Jean Mongeau
Corporate Secretary

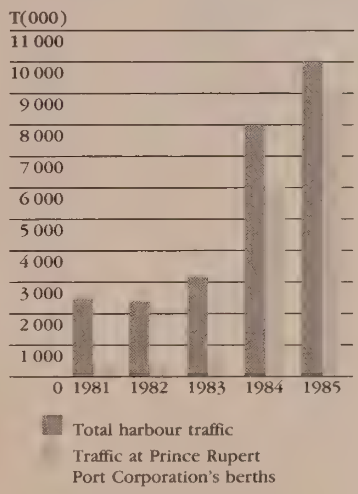
René Paradis
Director, Promotion and Public Affairs

Yvan Simard
Director of Planning and Development

Prince Rupert Port Corporation

Performance Highlights

- Total tonnage exceeded 10 million tonnes for the first time – up to 10,065,000.
- Port of Prince Rupert clearly established as the second largest (volume wise) port on the west coast of Canada.
- New grain terminal became operational in April 1985, shipping a total of 865,000 tonnes.
- Coal traffic rose by 38 percent to 7.2 million tonnes.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Allan T. Sheppard

Kenneth R. Krauter

On behalf of the Board of Directors, it is gratifying to report that the Port of Prince Rupert again achieved an unprecedented level of success. In 1985, the port set new records for traffic growth and financial performance. We would like to sincerely thank our employees, port customers and all those involved in marine related industries for their invaluable contributions.

In the first full year since becoming a local port corporation, total traffic reached an all time high of 10.1 million tonnes, up 24 percent from the previous record of 8.1 million tonnes set in 1984. Coal and lumber exports showed the most dramatic increase.

Increased traffic reflected positively on the port's balance sheet. Revenues from operations for the first time exceeded $10.6 million as compared to $9.5 million in 1984. Net income from operations was $1.5 million up 142 percent from the year before. This resulted in a net income of $2.2 million, an increase of $0.9 million over 1984.

The port's achievements over the past few years are the fulfillment of an 80 year-old vision held by Prince Rupert's mentor, Charles Hays. The major promoter and General Manager of the Grand Trunk Pacific Railway, Hays saw Prince Rupert as Canada's gateway to the Orient. His optimism was based on Prince Rupert's proximity to many Far East ports and an expectation that the city would become the Pacific gateway for Asian cargo.

Charles Hays' dream went down with him on the Titanic in 1912, the same year Prince Rupert was declared a Public Harbour. Although the railway was completed in 1914, the anticipated commerce did not materialize. The first export commodity handled by the port was high-grade Sitka Spruce for the manufacture of airplanes during World War I. A 1.5 million bushel grain export terminal was built in 1926 but it remained under-utilized until recent years. Before being substantially destroyed by fire in 1972, Ocean Dock was used to ship small amounts of forest, fish and mineral products.

It was not until 1973, one year after it was designated a National Harbours Board port, that Prince Rupert began its rise to a long foreseen destiny. Construction began on the $25 million Fairview Terminal and four years later the first ship was loaded at the modern general cargo facility. Since the terminal was completed in 1977, cargo handling has increased steadily to the point where Fairview is nearing capacity.

Record lumber traffic in 1985 took the terminal to an all time high of 666,326 tonnes, up 15 percent over 1984. Lumber was the major commodity, accounting for 496,823 tonnes (365 million FBM), a 27 percent increase over 1984. Other commodities handled include specialty grains which were down 4 percent to 126,389 tonnes and mineral concentrates which were down 24 percent to 40,957 tonnes.

During 1985, two major initiatives were undertaken to maintain and improve the port's position in the export lumber trade. The first was reducing lumber handling rates between 4 percent and 12 percent and simplifying tariff structures to assist the lumber industry's competitive position in the world markets. The second was awarding a contract for an indepth study of the expansion of general cargo handling facilities. The Board expects to make a decision with respect to terminal expansion in 1986.

But the completion of two export terminals on Ridley Island has been the key to realizing Charles Hays' dream.

In April 1985, Prince Rupert Grain Ltd.'s $275 million state-of-the-art elevator began operations. Although grain exports were down 22 percent over 1984, it is expected shipments through this terminal will increase closer to its design throughput capability of 3.5 million tonnes in the future. We are pleased to note that this terminal is establishing new records on the west coast for railcar unloading and shiploading productivity.

Coal exports by Ridley Terminals Inc. accounted for a substantial portion of overall port tonnage. Shipments reached 7.2 million tonnes in 1985, up 38 percent from the previous year. As well, the first shipment of anthracite coal was made through the terminal in 1985 to test market conditions in Korea for this northeast B.C. product.

Kraft pulp exports from Westar Timber Ltd.'s Watson Island pulp mill were up 31 percent to 315,076 tonnes. Raw log exports increased 4 percent to 436,960 tonnes. While the number of passengers from visiting cruise ships remained stable, the port did make a significant step forward in the tourist industry by becoming the home port for an Alaskan cruise ship operation making weekly sailings during the summer.

We are extremely pleased that the private sector continues to share our optimism for the port's future. In the past year, the first bulk-carrier line opened an office in Prince Rupert and a third major B.C. stevedoring company took permanent residence in the city. There is no question that port growth will continue to have a favourable impact on the regional economy as the marine industry seizes new opportunities.

In 1985, the port celebrated the achievements of a modern-day pioneer. Joe Scott Sr. retired as Chairman of the Board after 20 years as a leading proponent of port development at Prince Rupert. The Board would like to take this opportunity to express its heartfelt thanks to Joe for his dedication and hard work over many years.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

The Honourable Donald Mazankowski,
P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1985 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Vancouver, British Columbia
February 6, 1986

Balance Sheet as at December 31, 1985

Assets	**1985**	1984
Current assets		
Cash	**$ 87,341**	$ 61,970
Investments (note 3)	**7,202,309**	5,840,910
Accounts receivable	**630,199**	611,315
Due from Canada	**—**	82,839
Materials and supplies	**88,092**	73,470
	8,007,941	6,670,504
Fixed assets (note 4)	**73,214,955**	72,919,342
	$81,222,896	$79,589,846

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 382,346**	$ 616, 615
Payable to Canada	**249,190**	—
Grants in lieu of municipal taxes	**495,821**	963,822
Deferred revenues	**229,263**	343,941
	1,356,620	1,924,378
Long-term debt		
Loans from Canada (note 5)	**38,110,991**	38,110,991
Recoverable contribution from Canada (note 6)	**49,511,864**	49,511,928
	87,622,855	87,622,919

Equity of Canada		
Contributed capital	**678,275**	678,275
Deficit	**8,434,854**	10,635,726
	(7,756,579)	(9,957,451)
	$81,222,896	$79,589,846

Approved by the Board:

A.T. Sheppard

Allan T. Sheppard
Chairman

K.R. Krauter

Kenneth R. Krauter
General Manager and Chief Executive Officer

Statement of Income and Deficit	Year ended December 31 1985	Seven months ended December 31 1984
Revenue from operations	$10,622,368	$ 5,903,491
Expenses		
Operating and administrative	7,771,561	4,547,456
Depreciation	918,496	488,843
Grants in lieu of municipal taxes	27,661	164,831
	8,717,718	5,201,130
Income from operations	1,904,650	702,361
Interest income	655,246	400,579
Loss on disposal of fixed assets	(359,024)	(64,772)
Net income	2,200,872	1,038,168
Deficit at beginning of period	10,635,726	11,673,894
Deficit at end of period	$ 8,434,854	$10,635,726

Statement of Changes in Financial Position	Year ended December 31 1985	Seven months ended December 31 1984
Cash resources provided by (used in) operating activities		
Net income	$2,200,872	$1,038,168
Items not involving funds		
Depreciation	918,496	488,843
Loss on sale of fixed assets	359,024	64,772
Cash generated from (used for) operating working capital	(850,454)	650,475
	2,627,938	2,242,258
Cash resources provided by (used in) financing activities		
Capital grants (net)	331,965	(1,302,473)
Cash resources provided by (used in) investing activities		
Proceeds from sale of fixed assets	232	37,000
Additions to fixed assets (net of capital grants)	(1,573,365)	(618,884)
	(1,573,133)	(581,884)
Increase in cash and investments	1,386,770	357,901
Cash and investments at beginning of period	5,902,880	5,544,979
Cash and investments at end of period	$7,289,650	$5,902,880

Notes to Financial Statements

Year ended December 31, 1985

1. Local Port Corporation

The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation persuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of the Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by the Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

2. Significant Accounting Policies

a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets

Fixed assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

3. Investments

	1985	1984
Amortized cost	**$7,202,309**	$5,840,910
Market value	**$7,188,651**	$5,857,165

4. Fixed Assets

a) Summary

	Depreciation Rates (%)	Cost	Accumulated Depreciation	1985 Net	1984 Net
Land		**$60,159,561**	**$ —**	**$60,159,561**	$60,090,585
Dredging	**2.5-6.7**	**5,177**	**1,036**	**4,141**	4,271
Berthing structures	**2.5-10**	**8,562,554**	**2,167,089**	**6,395,465**	6,663,925
Buildings	**2.5-10**	**2,348,687**	**263,564**	**2,085,123**	1,776,546
Utilities	**3.3-10**	**2,609,710**	**965,891**	**1,643,819**	1,747,729
Roads and surfaces	**2.5-10**	**3,581,379**	**1,340,695**	**2,240,684**	1,775,555
Machinery and equipment	**5-10**	**1,699,805**	**1,072,702**	**627,103**	796,985
Office furniture and equipment	**20**	**122,714**	**63,655**	**59,059**	63,746
		$79,089,587	**$5,874,632**	**$73,214,955**	$72,919,342

b) Capital grants

During 1985, the Corporation received a capital grant of $244,968 (seven months ended December 31, 1984 – $652,007) from the Province of Alberta.

5. Loans from Canada

	1985	1984
Non-interest bearing loans with indefinite due date	**$27,084,979**	$27,084,979
Accrued interest on loans not due and payable	**11,026,012**	11,026,012
	$38,110,991	$38,110,991

6. Recoverable Contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The total contribution received and/or receivable as of December 31, 1985 was $49,511,864.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge. The balance of $1,211,864 is repayable on a fixed, blended principal and interest basis over 20 years, commencing on April 1, 1989.

7. Related Party Transactions

a) During the year ended December 31, 1985, the Corporation received revenue of $1,250,370 (seven months ended December 31, 1984 – $580,302) from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment. Accounts receivable as at December 31, 1985 include $186,760 (1984 – $225,723) due from Ridley Terminals Inc.

b) During the year the Corporation paid $521,297 (seven months ended December 31, 1984 – $245,943) to Canada Ports Corporation as its share of that corporation's head office expense.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Board of Directors

Allan T. Sheppard*
Chairman
Owner/Manager, Port Edward Marine Services
Prince Rupert, B.C.

William B. Hick*
Vice-Chairman
Medical Doctor
Prince Rupert, B.C.

John T. Payne*/**
General Manager
Universal Stores Inc.
Prince Rupert, B.C.

Michael Z. Florian**
Chief Executive Officer
Prince Rupert Fishermen's Co-op Association
Prince Rupert, B.C.

John D. McNish**
Manager
Credit Bureau of Prince Rupert
Prince Rupert, B.C.

Dolores D. MacIntosh
Property Manager
Prince Rupert, B.C.

Donald Seidel
Manager
Prince Rupert Motors Ltd.
Prince Rupert, B.C.

*Executive Committee
**Audit Committee

Officers of the Corporation

Allan T. Sheppard
Chairman

Kenneth R. Krauter
General Manager and Chief Executive Officer

R. Adam McBride
Manager, Finance and Administration

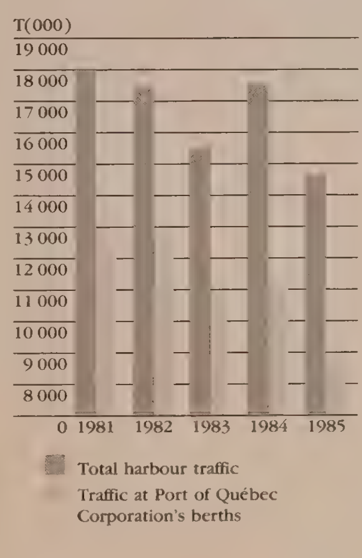
Brian L. Denton
Manager, Engineering and Maintenance

Michael Gray
Manager, Operations/Harbour Master

Port of Québec Corporation

Performance Highlights

- Tonnage of mineral concentrates nearly doubled in 1985.
- Construction of an 11,200 m² general cargo shed at the Estuary Sector now enables the port to better serve shippers of general cargo.
- Gagnon and Boucher invested $1 million to expand its feed grain distribution centre at Anse au Foulon.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Ross Gaudreault


Jean-Michel Tessier

The Board of Directors and management of the Port of Québec Corporation are pleased to present the annual report for one of Canada's most historic ports. Having served in the exploration, trade and development of Canada since the early 17th century, the Port of Québec is proud of its contributions to Canada's national port system.

The year 1985 was an exciting one in the port's history. A new Board of Directors was appointed on July 6, 1985, by the Minister of Transport and the Corporation reassessed its objectives, emphasizing a commitment to provide the best in transportation services while maximizing profitability through zero-base budgeting and sound management. The Corporation is determined to further develop its marketing activities, service to clients and economic leadership role in the regional community.

These priorities reflect the Corporation's firm belief in the potential of the Port of Québec's, deep water connection to the industrial and agricultural heartland of North America via the Great Lakes/St. Lawrence Seaway.

Year-round navigation, geographic location and the presence of intermodal transportation will also contribute to the port's ongoing development as a multi-user import, export and transshipment center.

Financial Highlights

Financial results for the Port of Québec Corporation in 1985 show operating revenues of $9.4 million, total net income of $3.8 million and capital expenditures of $5.4 million.

Traffic Review

The Port of Québec consolidated its position as a deep water transshipment terminal for solid bulk products in 1985. The volume of mineral concentrates nearly doubled to 2.2 million tonnes, up from 1.2 million tonnes in 1984, underlining the port's competitive edge in the handling of bulk commodities.

A fifth dockside crane was added to the Beauport solid bulk terminal in 1985, increasing handling capacity for the simultaneous servicing of vessels calling at its 465 metres of berthing space. This additional equipment enables the terminal to load mineral concentrates at the rate of 3,100 tonnes per hour.

These developments were offset by a sharp decline in shipments of grain, reflected throughout the St. Lawrence River transfer elevator system. While the Port of Québec remained eastern Canada's major grain handling center, in 1985 traffic fell to 5.1 million tonnes, down from 8.1 million tonnes in 1984. A succession of poor harvests in western Canada had a serious negative impact on the country's grain export activity. The decrease in shipments of grain was the principal contributing factor to the overall decline in port traffic, which totalled 14.7 million tonnes in 1985, compared to 17.7 million tonnes in 1984.

In spite of a difficult year for grain, intermodal flexiblity in unloading operations was once again demonstrated at the elevator operated by Bunge of Canada Ltd. Following the shutdown of the St. Lawrence Seaway, Bunge received eight unit trains of nearly 100 cars each, used by the Canadian Wheat Board as an alternative transportation solution to move cargo to vessels on the St. Lawrence River. In the same category of cargo, Gagnon & Boucher, a subsidiary of Cargill Ltd., invested $1 million in 1985 to expand its feed grain distribution center. Three new silos were added to the facility, boosting storage capacity to 48,600 tonnes. The investment enabled the company to guarantee year-round availability of all types of feed grain to Quebec feed manufacturers and livestock producers.

In the liquid bulk and general cargo categories, tonnage remained at levels comparable to those of 1984. Shipments of liquid bulk recorded 6.2 million tonnes in 1985, down from 6.9 million tonnes of the previous year.

General cargo shipments, which included a wide range of break bulk goods such as dairy and forest products, were adversely affected by weak overseas markets. Some 438,000 tonnes of general cargo were handled at the Port of Québec in 1985, compared to 569,000 tonnes in 1984.

To better serve shippers of general cargo, the port invested $4 million for the construction of an 11,200 m² shed at the Estuary Sector. This was the largest capital expenditure of 1985. The facility, which offers many advantages including improved conditions for winter operations, represents the first phase in the development of a new multi-user general cargo terminal capable of simultaneously receiving five vessels.

Traffic Outlook

The port administration is cautiously optimistic in evaluating traffic potential for 1986. Ultramar of Canada's recent acquisition of the Gulf Canada network of service stations in eastern Canada and planned increase in production at its refinery located at St. Ramuald, near Québec City, could augment the port's volume of petroleum products by up to 3 million tonnes annually. Grain traffic should also improve in 1986 while volumes of other solid bulk products should remain stable.

The Port of Québec will face many challenges in 1986 and over the coming years. The management and all companies in the port community are committed to develop the full potential of a great port center, which occupies an important place in Canada's history and will continue to contribute to our country's international trade.

The Board of Directors and management of the Port of Québec Corporation extend their sincere thanks to the staff of the port, its customers and all those directly and indirectly associated with its activities, for their contribution to the Port of Québec's accomplishments in 1985.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Donald Mazankowski, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1985, the statement of income and deficit and the statement of changes in financial position for the year then ended. Our verification was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the port as at December 31, 1985 and the results of its operations and the changes of its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation which have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and its regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Québec, Quebec
February 20, 1986

Balance Sheet as at December 31, 1985

Assets	**1985**	1984
Current		
Cash	**$ 275,356**	$ 288,267
Investments (note 3)	**33,109,060**	30,205,593
Accounts receivable	**3,256,021**	5,479,237
Materials and supplies	**60,373**	62,986
	36,700,810	36,036,083
Investments (note 3)	**6,597,511**	6,571,166
	43,298,321	42,607,249
Fixed (note 4)	**44,692,982**	41,031,689
	$87,991,303	$83,638,938

Liabilities		
Current		
Accounts payable and accrued liabilities	**$2,486,742**	$2,059,188
Grants in lieu of municipal taxes	**502,000**	456,450
Deferred revenues	**731,068**	710,067
	3,719,810	3,225,705
Long term		
Accrued employee benefits	**791,000**	739,700
	4,510,810	3,965,405

Equity of Canada		
Contributed capital	**107,251,631**	107,251,631
Deficit	**23,771,138**	27,578,098
	83,480,493	79,673,533
	$87,991,303	$83,638,938

On behalf of the Board:

Ross Gaudreault
Chairman

Jean-Michel Tessier
General Manager and Chief Executive officer

Statement of Income and Deficit	For the year ended December 31, 1985	For the seven months ended December 31, 1984
Revenue from operations	$ 9,405,701	$ 8,509,154
Expenses		
Operating and administrative expenses	7,159,073	4,381,969
Depreciation	1,721,120	1,097,127
Grants in lieu of municipal taxes	1,016,136	586,749
	9,896,329	6,065,845
Income (loss) from operations	(490,628)	2,443,309
Other income		
Investment income	4,297,588	2,458,436
Net income	3,806,960	4,901,745
Deficit at beginning of the year	27,578,098	32,479,843
Deficit at end of the year	$23,771,138	$27,578,098

Statement of Changes in Financial Position	For the year ended December 31, 1985	For the seven months ended December 31, 1984
Source (application) in cash		
Operations		
Net income	$ 3,806,960	$ 4,901,745
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(15,359)
Depreciation	1,721,120	1,097,127
(Gain) loss on disposal of fixed assets	(46,947)	4,586
Accrued employee benefits	51,300	(116,500)
Variation in working capital except cash	2,719,934	(4,130,393)
	8,226,022	1,741,206
Investments		
Additions to fixed assets	5,384,700	2,703,926
Proceeds on disposal of fixed assets	(49,234)	(1,751)
	5,335,466	2,702,175
Increase (decrease) in cash and short-term investments for the year	2,890,556	(960,969)
Cash and short-term investments at beginning of the year	30,493,860	31,454,829
Cash and short-term investments at end of the year	$33,384,416	$30,493,860

Notes to Financial Statements

for the year ended December 31, 1985

1. Incorporation

The Port of Québec Corporation was established June 1, 1984, under 6.2(1) of the Canada Ports Corporation Act.

2. Statement of Significant Accounting policies

a) Investments
Investments are direct and guaranteed securities of Canada. They are shown at amortized cost and the premium or discount is amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated according to the straight line method, once the asset becomes operational, for the entire year, using the following annual rates:

Dredging	2.5- 6.7%
Berthing structures	2.5 - 10%
Buildings	2.5 - 10%
Utilities	3.3 - 10%
Roads and surfaces	2.5 - 10%
Machinery and equipment	5 - 100%
Office furniture and equipment	20%

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

Investments, which are direct and guaranteed securities of Canada, are:

	1985		1984	
	Cost	**Market Value**	Cost	Market Value
Current	**$33,109,060**	**$33,101,895**	$30,205,593	$30,341,504
Long-term	**$ 6,597,511**	**$ 7,387,483**	$ 6,571,166	$ 6,468,502

4. Fixed Assets

a) Summary

	1985			1984
	Cost	**Accumulated Depreciation**	**Net**	Net
Land	**$11,043,597**	**$ —**	**$11,043,597**	$11,043,602
Dredging	**4,561,341**	**3,867,125**	**694,216**	722,277
Berthing structures	**22,167,990**	**15,463,013**	**6,704,977**	6,713,975
Buildings	**28,693,605**	**12,123,430**	**16,570,175**	17,110,342
Utilities	**3,399,155**	**1,749,632**	**1,649,523**	1,514,494
Roads and surfaces	**5,847,726**	**2,473,865**	**3,373,861**	3,070,326
Machinery and equipment	**501,590**	**362,788**	**138,802**	30,963
Office furniture and equipment	**333,040**	**164,290**	**168,750**	88,517
Works under construction	**4,349,081**	**—**	**4,349,081**	737,193
	$80,897,125	**$36,204,143**	**$44,692,982**	$41,031,689

b) Capital expenditure commitments
As at December 31, 1985, contractual obligations for the completion, construction and purchase of fixed assets are estimated at $533,700, of which most will be expended in the year ending December 31, 1986.

5. Contingencies
Claims aggregating approximately $5,600,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. These amounts do not appear in the financial statements. In the Corporation's view, its position is defensible and these claims should not result in any material financial liability.

6. Subsequent Event
The Government of Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from Canada Ports Corporation and the six Local Port Corporations, of which an amount of $83,000,000 is payable by March 31, 1986 and $50,000,000 by June 30, 1986.

The Board of Directors of Port of Québec Corporation has resolved at its meeting of February 17, 1986 to remit to the Government of Canada the sum of $13,881,092 representing the Corporation's share of the requested contribution of $83,000,000 payable by March 31, 1986. The Corporation's share of the $50,000,000 payable by June 30, 1986 has not been considered by the Board.

Board of Directors

Ross Gaudreault*
Chairman
General Manager, Irving Oil Limited
Province of Quebec
Sillery, Que.

The Honourable Jean Marchand*
Vice-Chairman
Québec, Que.

Denise Rancourt-Bélanger
Lawyer
Lévis, Que.

Yvon Dolbec
President, Y. Dolbec Logistique Int'l Inc.
Sainte-Foy, Que.

Claude Gagné
Sales Representative, Toshiba of Canada Ltd.
Vanier, Que.

Raymond Stuart McBain*
President, Ver-Mac Inc.
Sainte-Foy, Que.

Roméo Savard
Foreman, International Longshoremen's Association
Québec, Que.

Officers of the Corporation

Ross Gaudreault
Chairman

Jean-Michel Tessier*
General Manager and Chief Executive Officer

Gary Q. Ouellet
Corporate Secretary

Louis-Philippe Cormier
Executive Assistant and Associate Corporate Secretary

Gérard Laroche
Director, Commercial Affairs and Marketing

Yvon Bureau
Director, Administration and Human Resources

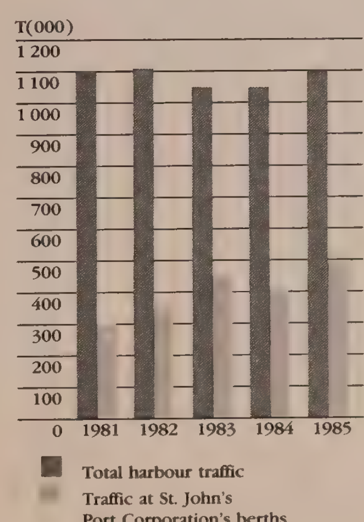
Serge Tremblay
Director, Port Services

*Member, Executive Committee

St. John's Port Corporation

Performance Highlights

- Total tonnage was 480,000 tonnes compared to 420,000 tonnes in 1984.
- Container cargo was up to 270,000 tonnes from 245,000 tonnes the previous year.
- Vessel traffic arrivals increased to 1,490 from 1,471.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Fred Milley

David J. Fox

On June 1, 1985, the Letters Patent officially establishing the St. John's Port Corporation were presented to the Board by the Honourable John C. Crosbie, Minister of Justice, on behalf of the Honourable Donald Mazankowski, Minister of Transport. The Board was also pleased to welcome the Honourable A.R. Huntington, Chairman of the Board of Canada Ports Corporation, and to receive an overview of the responsibilities and objectives of the Corporation.

The St. John's Port Corporation, on behalf of Canada Ports Corporation, expressed their thanks to the former port authority for the contribution made to the operation of the port and also for their efforts in obtaining approval to establish St. John's as a local port corporation.

The high degree of autonomy under which the port functions is within the guidelines of the new port policy outlined under the Canada Ports Corporation Act.

The Board sees the port as an efficient and effective instrument for the administration of Canada's national, international and regional trade requirements and as a major primary support for the local economic and social government objectives.

Major on-going redevelopment policy decisions have been made for the continued upgrading of the port's Main Container Terminal which handles Ro-Ro and general cargo traffic. This reflects the Board's positive desire and intent to improve port owned infrastructure, and to respond with a high degree of efficiency for the movement of goods and services through the port and the 22 communities surrounding the City of St. John's.

Improvements under the $3.1 million Phase I Redevelopment Program for the Main Terminal continued and at year end, a $1.9 million lighting and electrical distribution system neared completion. This project will be a major factor in improving operations at the Terminal. Renewal of the Terminal's water distribution system was carried out during the year in order to meet fire and safety regulations and standards. It also facilitates the water requirements for ships using the Terminal.

An engineering consulting firm was appointed to complete plans for the estimated $6-$8 million Phase II Redevelopment Program for the Main Terminal resurfacing. The Corporation is hopeful this project will commence in 1986.

The 1985 financial and operational year at the port was the most successful since the port joined the Canada Ports Corporation on January 1, 1965. Operating revenues were 10 percent above 1984 at $2.4 million; controllable expenses were down by 15 percent below 1984 costs at $1.1 million; net income was 45 percent above that of 1984 at $1.2 million; total port tonnage was, for the seventh year, above 1 million tonnes at 1.1 million; while cargo across St. John's Port Corporation property was 10 percent above 1984 at 480,000 tonnes of general domestic cargo. Other port results for the year were satisfactory showing an improvement over 1984. A small increase in vessel traffic entering the port was experienced over the previous year even though there was a slight decline in offshore oil activity.

Offshore oil activity is not expected to increase during 1986 as the main emphasis moves to the preparation of the Hibernia oil field for production and processing. Indications are five wells will be commenced in 1986 compared to twelve wells and eleven wells in the preceding two years. Also in 1986, it is expected that the design and production of a fixed platform production system will commence within the Avalon area which in turn should have a positive impact on future port activities.

We are optimistic that the Port of St. John's will see increased development activities during the remaining years of the 1980's.

The Chairman, Board of Directors, and General Manager take this opportunity to express our sincere gratitude to all employees of our Corporation, port companies, agencies and port users who helped to make 1985 a successful year for the St. John's Port Corporation.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Donald Mazankowski,
P.C., M.P.
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1985, and the statements of income and surplus and changes in financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the seven months then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Doane Raymond

Chartered Accountants

St. John's, Newfoundland
February 14, 1986

Balance Sheet as at December 31, 1985

Assets	
Current	
Cash	$ 2,646
Investments (Note 3)	5,614,056
Accounts receivable	351,506
	5,968,208
Investments (Note 3)	946,151
Fixed (Note 4)	9,940,186
	$16,854,545
Liabilities	
Current	
Accounts payable and accrued liabilities	$1,348,692
Grants in lieu of municipal taxes	57,092
Deferred revenues	226,184
Current portion of loans from Canada	51,983
	1,683,951
Accrued employee benefits	72,985
Loans from Canada (Note 5)	1,896,773
	3,653,709
Equity	
Contributed capital	11,585,318
Surplus	1,615,518
	13,200,836
	$16,854,545

Contingency (Note 6)
Commitments (Note 7)

On behalf of the Board:

Fred Milley
Chairman

David J. Fox
General Manager and Chief Executive Officer

Statement of Income and Surplus seven months ended December 31, 1985

Revenue from operations	$1,452,668
Operating and administrative expenses	864,410
Depreciation	211,044
Grants in lieu of municipal taxes	(60,670)
	1,014,784
Income from operations	437,884
Investment income – net	313,728
Net income	751,612
Surplus assumed	863,906
Surplus, end of period	1,615,518

Statement of Changes in Financial Position seven months ended December 31, 1985

Cash provided from (used for)	
Operations	
Net income	$ 751,612
Depreciation	211,044
Other non-cash items	6,899
	969,555
Cash provided from (used for)	
Accounts receivable	(54,597)
Accounts payable and accrued liabilities	1,066,200
Grants in lieu of municipal taxes	(60,670)
Deferred revenue	74,018
	1,994,506
Financing	
Reduction of loans from Canada	(47,547)
Investing	
Purchase of fixed assets	(2,020,945)
Net cash used	(73,986)
Cash and temporary investments assumed	5,690,688
Cash and temporary investments, end of period	5,616,702

Notes to Financial Statements

December 31, 1985

1. In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of St. John's to the St. John's Port Corporation.

2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at apppraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustements upon finalization are reflected in the accounts in the year of settlement. An audit was completed in 1985 and a reduction of $85,695 was recorded in grants related to prior years.

e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	Amortized Cost	Face Amount
Short term	$5,614,056	$5,810,600
Long term	$ 946,151	$1,015,838

4. Fixed Assets

	Depreciation Rate (%)	Cost	Accumulated Depreciation	Net
Land		$ 3,370,578	$ —	$3,370,578
Berthing structures	2.5-10	7,776,388	4,914,659	2,861,729
Buildings	2.5-10	1,872,985	1,248,312	624,673
Utilities	3.3-10	494,054	398,023	96,031
Roads and surfaces	2.5-10	713,084	559,250	153,834
Machinery and equipment	5-100	231,625	65,423	166,202
Office furniture and equipment	20	84,564	49,290	35,274
Projects under construction		2,631,865	—	2,631,865
		$17,175,143	$7,234,957	$9,940,186

5. Loans from Canada

Loans, 9.33%, maturing in 2000, payable in equal annual instalments of principal and interest of $198,132. The loans are unsecured.	**$1,566,437**
Principal instalments payable within one year	**51,983**
	1,514,454
Accrued interest on loans	**382,319**
	$1,896,773

Annual principal repayment in each of the next five years are as follows:

1986	$51,983
1987	$56,833
1988	$62,136
1989	$67,933
1990	$74,271

6. Contingent Liability

Claims aggregating approximately $5,000,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation has denied any liability and no material loss is anticipated.

7. Commitments

Funds have been committed on capital projects as at the balance sheet date in the amount of $394,000. The full amount is expected to be expended during 1986.

8. Subsequent Event

The Government of Canada has reqested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the six Local Port Corporations, of which $83,000,000 is payable by March 31, 1986, and $50,000,000 by June 30, 1986.

The Board of Directors of the St. John's Port Corporation has resolved to remit to the Government of Canada the sum of $1,599,000 representing the Corporation's share of the requested contribution of $83,000,000 payable by March 31, 1986. The Corporation's share of the $50,000,000 payable by June 30, 1986 has not been determined by the Board.

Board of Directors

Fred Milley
Chairman
St. John's, Nfld.

Faith Good
Vice-Chairman
St. John's, Nfld.

Tom Osborne
Owner, Tom Osborne Real Estate
St. John's, Nfld.

Paul Reynolds
Marketing Representative
Ultramar Canada Inc.
St. John's, Nfld.

Michael Walsh
General Chairman
Brotherhood Railway Airline Clerks
St. John's, Nfld.

Dermot Dobbin
President
BRADCO
St. John's, Nfld.

Art Puddister
Manager
Puddister Trading Co. Ltd.
St. John's, Nfld.

Officers of the Corporation

Fred Milley
Chairman

Faith Good
Vice-Chairman

David J. Fox
General Manager and Chief Executive Officer

Allan W. Budden
Manager, Administration

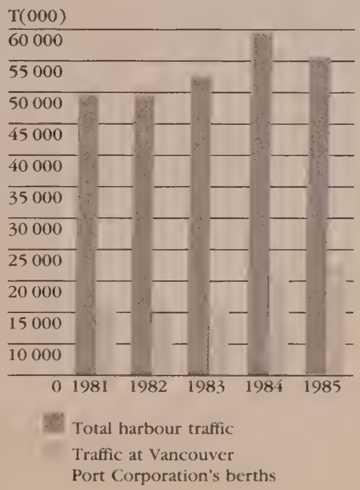
Charles Gosse
Manager, Finance

Keith F. Rose
Corporate Secretary

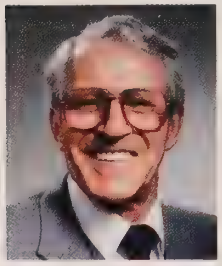
Vancouver Port Corporation

Performance Highlights

- Total containers handled increased 17.5 percent to 178,175 TEU's
- Port tonnage declined 5.3 percent to 56.1 million
- Net income increased $3.6 million to $20.4 million
- Additions to fixed assets for the year totalled $18.8 million



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Hector D. Perry


F.J. MacNaughton

The Vancouver Port Corporation took another large step in 1985 towards its objective of establishing the Port of Vancouver as a major west coast load centre for the growing international trade in containerized cargoes.

The Corporation's strategy is to position the port as the fast, efficient gateway for export cargoes destined for the burgeoning markets of the Pacific Rim, and for imports bound for western and central Canadian centres.

As the west coast load centre, the Port of Vancouver is a vital link in the transportation chain that can speed containerized cargoes from dockside to centres of commerce 4,500 kilometres east in just four days. This ability to deliver, to serve the many businesses that are the engines of economic growth in Canada, requires the best efforts of the port terminals, their longshoremen, the transcontinental railways, trucking companies and steamship lines.

The total performance of this transportation team is the underpinning of the Corporation's load centre objective.

The Statistics

For the Port of Vancouver, 1985 was a year of encouraging progress with the statistical highlight being the continued strong growth in container traffic. For the third consecutive year, the Port of Vancouver set new records for the number of containers handled and for the total tonnage of containerized cargo moved in and out of the port.

The number of containers handled through port facilities rose by 26,624 to a total of 178,175 twenty-foot equivalent units (TEUs). This represents an increase of 17.5 percent.

Total tonnage of all cargoes shipped through the Port of Vancouver in 1985 was 56.1 million tonnes, a decrease of 5.3 percent from the 1984 record tonnage. Declines were recorded in principal export commodities of coal, grain, lumber and potash. Highlights of 1985 included a 10.1 percent increase in sulphur exports to reach a new record level of 6.1 million tonnes, and a 7.7 percent gain in woodpulp shipments to 888,000 tonnes.

The Port of Vancouver saw one of its busiest years ever for cruise vessel activity with a seasonal total of 267,472 passengers, an increase of 27.8 percent.

The corporate revenues during the year were $104.3 million, an increase of 10.1 percent over 1984. Net income in 1985 increased $3.6 million to $20.3 million. Reinvestment of earnings in capital improvements resulted in the addition to fixed assets of $18.8 million during the year.

The Port

A successful world load centre port demands modern, efficient facilities. The Vancouver Port Corporation recognizes this need and is directing its energies towards investments in improved facilities.

Centerm, which was long served as a mixed use terminal, has been improved and expanded to become the port's second container facility. Work during 1985 included the addition of three hectares of storage working area, and completion of the 147 metres berth extension. Future improvements planned for 1986 will result in Centerm having two operational container berths and a 50-car unit train assembly area.

Vanterm, the principal container terminal, has been improved with the extension of crane tracks to serve the third ship berth. It also now has the capacity to handle container unit trains.

Renovations were completed during the year to the Main Street dock and work progressed on construction of the Main Street overpass.

During the year, construction was substantially completed on Vancouver Port Corporation's spectacular Cruise Vessel Terminal. Scheduled for opening with the 1986 cruise vessel season, this new terminal will be capable of handling three large ships at one time.

Requests for proposals were invited in late 1985 for the long-term operation of cargo terminals owned by the Vancouver Port Corporation. The changes, to take effect by mid-1986, will see long-term contracts awarded for the operation of the three main cargo terminals.

The Team

A professional management team to guide the Vancouver Port Corporation through the challenges and opportunities of the remainder of the 1980s has been assembled.

New promotion activities will be directed at enhancing traffic for the entire port, and not just the facilities owned by the Corporation.

Looking to future markets in the Pacific Rim, representatives of the Vancouver Port Corporation travelled to the People's Republic of China, Japan, Hong Kong and Taiwan to meet with shipping line officials to discuss port facility requirements. The group also visited the Port of Dalian, in the People's Republic of China. A friendship agreement between Vancouver and Dalian was signed during the visit.

There was continued interest during the year in the future of the container handling clause that affects the movement of much of the containerized cargo through Vancouver. As Vancouver Port Corporation representatives advised the Parliamentary Committee on Transportation, the port is committed to supporting both parties to the labour agreement – the International Longshoremen and Warehousemen's Union Canadian Area and the B.C. Maritime Employers' Association in an effort to remove the clause. Removal of the clause would make Vancouver considerably more attractive to new containerized cargo business and go a long way towards making the port a load centre.

Special thanks is offered to the staff of the Vancouver Port Corporation, and to all those who work in, and with the port. They are helping to build a better port, benefiting their communities – and Canada.

Expo 86 and the Port

Expo 86 – the world exposition based on transportation and communication to be held in Vancouver – will be a busy time for the Vancouver Port Corporation.

While Vancouver prepares to welcome the world, the Vancouver Port Corporation looks forward to meeting many of its friends and colleagues from the international maritime trade community during Expo.

Chairman of the Board

General Manager and Chief Executive Officer

Auditor's Report

To the Honourable Donald Mazankowski,
P.C., M.P.
Minister of Transport

I have examined the balance sheet of Vancouver Port Corporation as at December 31, 1985 and its statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position for the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Ports Corporation Act and by-laws of the Corporation.

Raymond Dubois, C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
February 25, 1986

Balance Sheet as at December 31, 1985

(in thousands of dollars)

Assets	**1985**	1984
Current		
Cash	**$ 1,087**	$ 827
Investments (Note 3)	**36,054**	28,692
Accounts receivable	**9,488**	9,264
Materials and supplies	**778**	718
	47,407	39,501
Long-term		
Investments (Note 3)	**9,472**	9,410
Receivables (Note 4)	**8,223**	4,596
	17,695	14,006
Fixed (Note 5)	**177,605**	167,446
	$242,707	$220,953

Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 7 892**	$ 6,186
Grants in lieu of municipal taxes	**3,612**	4,710
Deferred revenues	**2,834**	2,129
	14,338	13,025
Long-term		
Accrued employee benefits	**1,203**	952
Loans from Canada (Note 6)	**108,204**	108,377
	109,407	109,329
	123,745	122,354

Equity of Canada		
Contributed capital (Note 1)	**7,733**	7,733
Retained earnings	**111,229**	90,866
	118,962	98,599
	$242,707	$220,953

Approved by the Board:

Hector D. Perry
Chairman

Rodney A. Snow
Director

Statement of Income and Retained Earnings

for the year ended December 31, 1985 (in thousands of dollars)

	1985	1984
Revenue from operations	**$104,349**	$ 94,746
Operating and administrative expenses	**79,562**	73,294
Grants in lieu of municipal taxes	**4,265**	4,391
Depreciation	**4,704**	4,526
	88,531	82,211
Income from operations	**15,818**	12,535
Investment income	**4,895**	4,600
Interest expense on loans from Canada	**(350)**	(361)
Net income	**20,363**	16,774
Retained earnings at beginning of the year	**90,866**	74,092
Retained earnings at end of the year	**$111,229**	$ 90,866

Statement of Changes in Financial Position

for the year ended December 31, 1985 (in thousands of dollars)

	1985	1984
Operating activities		
Net income	**$20,363**	$16,774
Items not affecting cash:		
Depreciation	**4,704**	4,526
Other	**178**	115
Increase (decrease) in operating components of working capital	**1,029**	(1,883)
Cash provided by operating activities	**26,274**	19,532
Financing activities		
Loans from Canada currently payable	**173**	161
Cash required for financing activities	**173**	161
Investing activities		
Additions to fixed assets	**18,815**	20,344
Reduction to fixed assets on cost recovery (Note 4)	**(3,947)**	—
Increase in long-term receivables (Note 4)	**3,947**	—
Other	**(336)**	(349)
Cash required for investing activities	**18,479**	19,995
Increase (decrease) in cash and short-term investments	**7,622**	(624)
Cash and short-term investments at beginning of the year	**29,519**	30,143
Cash and short-term investments at end of the year	**$37,141**	$29,519

Notes to Financial Statements

December 31, 1985

1. Incorporation and Objectives

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as a Crown corporation in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and operate the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

In accordance with the Canada Ports Corporation Act, all rights, obligations and liabilities of the Canada Ports Corporation (C.P.C.), formerly National Harbours Board, relating to the Port of Vancouver were transferred to the Corporation by C.P.C. effective July 1, 1983. The net assets transferred were recorded by the Corporation as contributed capital of $7,733,000 and retained earnings of $67,436,000 at the book values established in the accounts of C.P.C.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

a) Fixed assets and depreciation

Fixed assets are recorded at cost except for those transferred to the National Harbours Board, now C.P.C., from Canada which are recorded by the Vancouver Port Corporation at appraised or fair market values established at the time of that transfer. Depreciation of fixed assets is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated usefull lives of the assets as follows:

Dredging	40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Insurance

The Corporation assumes substantially all risks against fire and property damage, as well as for worker's compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

e) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided for under collective agreements and corporate policy.

3. Investments

Funds are invested in Government of Canada treasury bills (current) and bonds (long-term) which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31,1985, the market value of the treasury bills approximated carrying value and the market value of bonds was $10,526,300.

4. Long-term Receivables

Long-term receivables result from:
a). 20 year agreements covering the sale of grain elevator facilities which become due over periods of 9 to 11 years at interest rates varying from 5.75% to 6.625%.

b) A non-interest bearing agreement signed April 30, 1985 for reimbursement of $3,947,300 in respect of Roberts Bank causeway fill placement costs capitalized in 1983. Reimbursement to the Corporation is to be made when rail trackage is installed on the causeway or April 1994, whichever is earlier.

5. Fixed Assets

(in thousands of dollars)

	1985			1984
	Cost	**Accumulated depreciation**	**Net**	Net
Land	**$ 75,135**	**$ —**	**$ 75,135**	$ 79,083
Dredging	**304**	**154**	**150**	100
Berthing structures	**48,400**	**20,779**	**27,621**	21,813
Buildings	**19,551**	**7,701**	**11,850**	12,128
Utilities	**10,415**	**4,254**	**6,161**	5,938
Roads and surfaces	**24,482**	**12,101**	**12,381**	13,798
Machinery and equipment	**21,937**	**7,217**	**14,720**	15,577
Office furniture and equipment	**582**	**511**	**71**	106
Projects under construction	**29,516**	**—**	**29,516**	18,903
	$230,322	**$52,717**	**$177,605**	$167,446

6. Loans from Canada

(in thousands of dollars)

	1985	1984
Interest bearing loan at 7.5% repayable in blended annual instalments until December 31, 2000	$ 4,506	$ 4,667
Less: current portion	173	161
	4,333	4,506
Non-interest bearing loan with an indefinite due date	76,494	76,494
Accrued interest not due and payable	27,377	27,377
	$108,204	$108,377

The non-interest bearing loan and accrued interest not due and payable were transferred to the Corporation by C.P.C. effective July 1, 1983. This loan replaced an interest bearing loan of the same amount on which interest of $27,377,000 had accrued to December 31, 1980.

Principal repayment requirements over the next five years amount to $173,000 in 1986, $185,000 in 1987, $199,000 in 1988, $214,000 in 1989, and $230,000 in 1990.

7. Commitments and Contingencies

At December 31, 1985 the estimated cost of completing all approved capital projects was $29 million of which the Corporation had contractual obligations at the date for $5.9 million.

Claims aggregating approximately $2 million in respect of lawsuits, gaurantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been made against the Corporation. In the opinion of management, the final outcome of such claims will not result in any material loss.

The Corporation has long-term lease obligations for office accommodation aggregating $1,171,000 for the period from January 1, 1986 to October 31, 1988 at a base annual rent of $448,000. The obligations also call for payment of a pro-rata share of operating costs estimated at $67,000 for 1985.

8. Related Party Transactions

The Corportion is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

In addition to the loans from Canada disclosed in Note 6 and an additional payment of $8 million to Canada Harbour Place Corporation for the construction of a cruise ship facility at Canada Place in Vancouver, B.C., the Corporation paid $1.9 million to Canada Ports Corporation as its share of that Corporation's head office expense.

9. Subsequent Event

The Government of Canada has requested cash contributions from various Crown corporations, including the Ports Canada system made up of the Canada Ports Corporation, Vancouver Port Corporation, and other local port corporations. This cash recovery program is for the years 1985-86 and 1986-87. There was a request for a contribution of $83 million from the Ports Canada system to be payable to the Government of Canada by March 31, 1986.

The Board of Directors of Vancouver Port Corporation has resolved at its meeting of February 25, 1986 to remit to the Government of Canada by March 31, 1986 the sum of $14,059,000, representing this Corporation's share of the requested contribution of $83 million for 1985-86.

There is a further request for a contribution of $50 million from the Ports Canada system to be payable by June 30, 1986. The Corporation's share of this amount has not been determined.

Board of Directors

Captain Hector D. Perry
Chairman
Ganges Island, B.C.

Jane E. Frost
Vice-Chairman
Vancouver, B.C.

Norman G. Cunningham*
Chairman and Chief Executive Officer
British Columbia Maritime Employer's Association
Vancouver, B.C.

Laurie G. Maranda*
Vice President
Choukalos, Woodburn, McKenzie, Maranda Ltd. Consulting Engineers
Vancouver, B.C.

Jack Munro
President
International Woodworkers Union, Council No. 1
Vancouver, B.C.

Richard I. Nelson
Vancouver, B.C.

Rodney A. Snow*
Barrister and Solicitor
Vancouver, B.C.

*Member, Audit Committee

Officers of the Corporation

Captain Hector D. Perry
Chairman

F.J. MacNaughton
General Manager and Chief Executive Officer

N.C. Stark
Assistant Port Manager

P.L. Clark
Corporate Secretary

D.G. Buggie
Director, Finance

Mailing Addresses

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K1A 0N6
Tel: (613) 957-6787

Port of Chicoutimi
P.O. Box 760
Chicoutimi, Que.
G7H 5E1
Tel: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Man.
R0B 0E0
Tel: (204) 675-8823

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Que.
H3C 3R5
Tel: (514) 283-7042

Port Colborne
P.O. Box 129
Port Colborne, Ont.
L3K 5V8
Tel: (416) 834-3644

Port of Prescott
P.O. Box 520
Prescott, Ont.
K0E 1T0
Tel: (613) 925-4228

Prince Rupert Port Corporation
110-3rd Avenue W.
Prince Rupert, B.C.
V8J 1K8
Tel: (604) 627-7545

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Que.
G1K 7P7
Tel: (418) 648-3558

Port of Saint John
133 Prince William Street
Saint John, N.B.
E2L 2B5
Tel: (506) 648-4869

Port of Sept-Îles
P.O. Box 280
Sept-Îles, Que.
G4R 4K5
Tel: (418) 968-1231

St. John's Port Corporation
3 Water Street
St. John's, Nfld.
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Tel: (709) 772-4664

Port of Trois-Rivières
P.O. Box 999
1545 du Fleuve Street
Trois-Rivières, Que.
G9A 5K2
Tel: (819) 378-3939

Vancouver Port Corporation
1900-200 Granville Square
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V6C 2P9
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Design: Gottschalk + Ash International

Canada

Ports Canada

Report to the Minister 1986

Table of Contents

Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are directly administered by the Canada Ports Corporation and are located in Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic and more than 95 percent of container traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public service, the ports are administered according to common commercial priniciples.

The Canada Ports Corporation's National Office is located in Ottawa.

Ce rapport annuel est disponible en français.

Messages from the Chairman of the Board and the President and Chief Executive Officer


A.R. Huntington


Denis de Belleval

Chairman's Message

As we enter our fourth year since enactment of the *Canada Ports Corporation Act*, I take this opportunity to review the objectives within the legislation, to comment on our progress towards those objectives and to offer a few words on the fundamental work yet ahead as we move forward to serve those objectives.

Our legislation requires that we:

- support trade and social objectives at the national, regional and local levels;
- create an efficient system;
- provide accessible and equitable treatment to users of the ports within our system;
- provide a high degree of local operating autonomy for ports with financial self sufficiency;
- play a role on behalf of the Minister of Transport to ensure the integrity and efficiency of the national port system and ensure also the optimum deployment of resources.

Although the system appears to be serving regional and local social objectives well, there is potential for conflict with the national interest, when local pressures mount to encroach foreshore lands adjacent to deepwater. Non-maritime provinces have real and legitimate concerns when their access to deepwater is not protected for present and unidentified future needs.

A high degree of local operating autonomy has now been extended to the seven ports with local port corporation status. To date the Boards and staff of local port corporations have shown a high degree of commitment. Concurrent with the evolution of local operating autonomy, there is a pressure within the system to reduce the cost of the National Office. The Board is seized of this concern and is attempting to respond.

The Board is concerned with the definition of its role, on behalf of the Minister of Transport to ensure the integrity and efficiency of the system and the optimum deployment of resources.

To date, Ports Canada has been passive in contributing to national trade objectives. There is a need to co-ordinate national trade related resources and services within governments to better serve this aspect of our mandate. Ports Canada will have to develop or alternatively have access to a data bank that can provide details of costing and pricing within the water and landside modes of transportation if it is to play a meaningful role in improving the movement of Canadian products to export markets.

The Board agrees with the shareholder's call for a 30 percent dividend. This policy marks a significant maturing of our status as a Crown Corporation which is able to make a return on the capital invested in the system by the shareholder.

On behalf of the Board of Directors of the Canada Ports Corporation, I would like to acknowledge the efforts of staff across local port corporations, non-corporate ports and the National Office, on whose expertise and efforts the system depends. In addition, the Board of Directors recognizes the leadership of our present and former Ministers of Transport, Messrs. Crosbie and Mazankowski, whose efforts to strengthen the transportation infrastructure across Canada will render benefit to Canadians for generations to come.

Ron Huntington

The Honourable A.R. Huntington
Chairman of the Board

President's Message

The Canada Ports Corporation was established to, among other things, foster greater local autonomy among the ports, and to administer non-corporate ports in the most efficient and cost-effective manner possible. In 1986, the Corporation made major strides in achieving these objectives.

The Port of Saint John was granted the long-awaited local port corporation status following a rescheduling of its debt. In enhancing the objectives of the *Canada Ports Corporation Act*, this brings the total number of LPCs to seven, and provides the port with the needed autonomy in managing its own day-to-day affairs. Local port corporations now account for more than 90 percent of total operating revenues of Ports Canada.

Consistent with on-going efforts to improve efficiency and productivity, in August, the Right Honourable Brian Mulroney opened the new Pointe-Noire facility in Sept-Îles; and later, the Minister of State for Transport inaugurated the Grande-Anse terminal, built as part of the relocation of the Port of Chicoutimi. The two facilities will provide their respective regions with infrastructures that are expected to play a major role in their industrial development.

Elsewhere, thanks to concrete measures taken at the Port of Churchill, the port's operating costs were kept to the minimum while efforts to increase tonnage throughput continued. In response to the government's stated desire to promote private sector participation, the grain elevator at Port Colborne was leased out. This is expected to bring about stability in earnings and minimize future exposure of the Corporation.

The year was not without its challenges. Strained labour-management relations closed the Port of Vancouver twice, albeit briefly, finally requiring legislation to set up a commission of inquiry into the container-handling practices at the port. On the St. Lawrence, the employers at the Port of Québec forced a lock-out that lasted over five months. Notwithstanding a prolonged period of labour stability on the St. Lawrence, these difficulties could pose new challenges for Montréal and Trois-Rivières as well. Labour relations, therefore, gain added importance in the port system.

Progress is the result of efforts of all involved in the Corporation. I would like to take this opportunity to express my gratitude to the Board of Directors for their valuable guidance, and to the employees of the Corporation, without whose dedication and loyalty our achievements would not have been possible.

de Belleval

Denis de Belleval
President and Chief Executive Officer

Ports Canada Five Year Financial Review

(in millions except for average number of employees and ratios)

	1986	1985	1984	1983	1982
Financial Results					
Revenue from operations	$159.9	$153.7	$157.1	$151.1	$142.7
Operating expenses	138.1	130.3	129.6	126.9	113.9
Operating income	21.8	23.4	27.5	24.2	28.8
Investment income-net	18.9	26.8	24.2	22.6	28.7
Net income before RTI*	42.1	51.9	57.8	35.0	57.5
Cash provided by operating activities	58.1	76.4	74.6	73.7	72.6
Financial position at year end					
Working capital	$114.5	$212.0	$189.8	$160.1	$145.8
Fixed assets — at cost	990.1	962.3	914.0	892.9	850.6
Total assets	863.2	973.9	926.1	865.8	814.3
Equity of Canada	227.8	322.3	275.3	218.8	183.9
Capital expenditures	$50.2	$64.1	$96.6	$74.6	$125.6
Federal capital financing					
Grants	$13.5	$14.3	$35.4	$10.5	$24.0
Loans	4.1	5.2	4.9	7.1	7.9
Recoverable contribution	—	—	0.4	8.4	40.6
Employees					
Average number of employees	1,452	1,517	1,637	1,695	1,760
Ratios					
Operating revenue/tonne	$0.99	$0.99	$0.95	$1.05	$1.04
Tonnes/employee	110,840	102,307	100,672	84,897	77,841
Cash from operating activities/total assets	6.7%	7.8%	8.1%	8.5%	8.9%

* Ridley Terminals Inc.

New terminal service contracts between the Vancouver Port Corporation and its stevedoring contractors have resulted in contractors' revenues and expenses no longer being recorded at Vancouver. For comparative purposes, these revenues and expenses have been excluded from those of 1986 and previous years.

Revenues from operations for Ports Canada amounted to $160 million for 1986, representing an increase of $6 million over 1985. This increase was mainly the result of increased container traffic at Montréal and Vancouver as well as a higher volume of grain handled at Churchill when compared with 1985.

The 1986 operating income for Ports Canada was $22 million, a decline of $1.6 million from the previous year. This decline in operating income was primarily the result of higher depreciation recorded at Vancouver, Montréal and Halifax as a number of large capital projects became operational in 1986. Funds from operations, being operating income before depreciation, were $46 million in 1986, as compared to $45 million for 1985.

Net income in 1986 was $42 million, down from $52 million in 1985. The lower level of net income is primarily attributable to a reduction in investment income of $8 million, from $27 million in 1985 to $19 million in 1986. This reduction was a result of a smaller investment base following a $133 million cash payment made by Ports Canada to the federal government in 1986.

The 1986 year-end working capital of Ports Canada was $115 million compared with $212 million in 1985. Funds expended for capital projects in 1986 totalled $50 million, $33 million of which was provided by internally generated funds. Major capital projects in 1986 included the upgrading and expansion of port facilities at Halifax, Montréal, Québec and Vancouver, berth dredging and the construction of a new tug at Churchill, as well as the new port facilities at Sept-Îles.

Ports Canada Review of Traffic

Total 1986 cargo volume through Ports Canada ports, including both private facilities located within the harbour limits and Ports Canada berths, was up almost 4 percent over 1985 to 161 million tonnes. The major portion of this growth was accounted for by an increase in liquid bulk (petroleum) traffic, primarily through private facilities at the ports of Saint John and Québec. Other areas of growth in tonnage across the port system included grain shipments and containerized cargo volume.

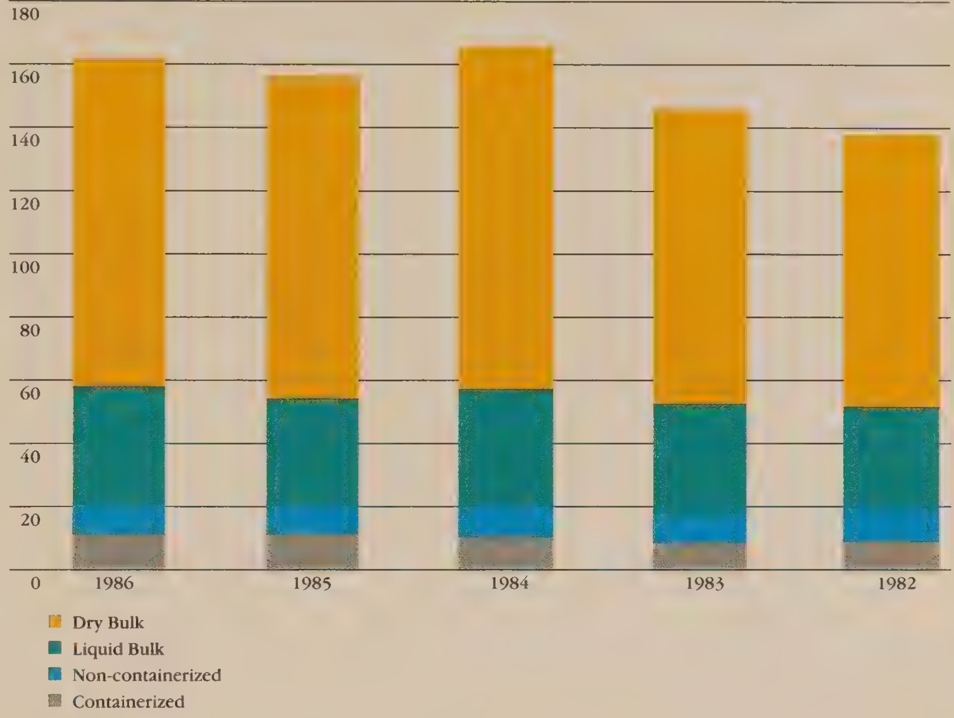
Total tonnage handled through Ports Canada berths in 1986 was 70 million tonnes, down slightly from almost 72 million tonnes recorded in 1985. The seven local port corporations (including Saint John) handled 64 million tonnes through their facilities, down 4 percent from the 67 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities at its seven ports was up from less than 5 million tonnes in 1985 to almost 6 million tonnes in 1986.

Total grain shipments handled across the Ports Canada system, including private facilities, were up only 2 percent in 1986 to slightly over 23 million tonnes in spite of a much improved grain harvest. This small rate of growth, after a disappointing year in 1985, is the result of the after-effects of two below-average harvests in 1984 and 1985, intense international competition between grain exporting nations and work stoppages due to labour disputes at Thunder Bay and at the Port of Québec. Labour disruptions affecting east coast ports and shifts in grain distribution patterns resulted in west coast ports experiencing a 19 percent increase in volume over the previous year as well as increasing their share of total Ports Canada grain tonnage from 45 percent in 1985 to 53 percent in 1986.

After a decade of growth, coal shipments, at 27 million tonnes, were down 3 percent for 1986 versus the previous year. This decline reflects the problems of excess coal production capacity worldwide, a labour dispute involving a major B.C. coal producer and the declining coal requirements of the Japanese steel industry, Canada's major customer.

Five Year Review

(million tonnes)



Containerized cargo volume was up 10 percent in 1986 to 10 million tonnes or 918,000 TEUs (20-foot equivalent units). This growth came despite increasing concern over Canadian cargo being diverted through U.S. ports. Of Canada's four major container ports, Montréal, Vancouver and Halifax experienced strong growth rates in 1986. However, container tonnage at Saint John was down due to several shipping lines dropping Saint John as a port of call.

Conflict of Interest and Post-Employment Policy

On September 9, 1986, the Corporation adopted the *Conflict of Interest and Post-Employment Policy* applicable to all employees and officers other than Governor-in-Council appointees.

This policy is consistent with the spirit of the *Conflict of Interest and Post-Employment Code for Public Office Holders*, tabled by the Prime Minister in the House of Commons on September 9, 1985, and in effect since January 1, 1986.

The Corporation has designated a Conflict of Interest Coordinator and all employees and officers are to comply with the policy and take appropriate action to prevent potential or apparent conflicts of interest.

FRERES & CIE

Urban Waterfront: Conflict and Reconciliation

The development of Canadian ports and the urban centres surrounding them have always been closely linked. While the natural harbour provided the geographic location for the initial community settlement, transportation and trade contributed, over time, to urban and industrial growth.

The port and the city began as one and the same. Urban waterfronts were the focal point of commerce, concentrating on their commercial maritime function — the transfer of cargo between the marine and surface modes of transportation. The waterfront was unique in its orientation, with the port exerting the dominant influence on land-use activities not only along the water's edge, but also in the city's central business district.

In St. John's, vessels berth virtually adjacent to downtown offices, maintaining the Newfoundland heritage of the sea; but terminal expansion is restricted.

Throughout the years, advances in marine transportation and cargo handling methods, coupled with fundamental changes in the twentieth century urban lifestyle, both social and industrial, substantially altered the relationship between the port and the city. The changing dynamics of both ports and cities have resulted in a reappraisal of the port and its role in the urban community. In the 1980s, the port no longer has a monopoly on the urban waterfront. In most cases, this reassessment of the urban waterfront function is directly related to land, its use, its accessibility and its perception as a tool for economic and social redevelopment. Often, the viable and essential marine transportation function and its impact on the national economy are overlooked, creating tension and even conflict between the port and the urban community.

Conflict arises, amongst other things, from the development and sophistication of marine terminals and the vessels using them. Gone are the wooden finger piers jutting out at right angles from the shoreline. In their place have emerged highly specialized terminals designed to automatically handle containers and bulk cargoes. These container terminals have been isolated along the urban shoreline in major port cities, resulting in a separate identity for the port distinct from that of the city.

Special user groups, such as windsurfers in the Port of Vancouver, place added importance on the unique geographic features of the waterfront.

Another closely-related phenomenon is the development of efficient transportation links in the functional port area and its hinterland. Intermodalism is now the key. In Montréal, for example, containers are placed directly on railcars bound for the heartland of America. Unit trains unload grain, coal, sulphur or potash in most major ports. Arterial roads and overpasses have been constructed to handle the ever-increasing truck traffic serving the marine terminals, and have been a major expense and planning concern of ports in Vancouver, Saint John and St. John's. The effect on the waterfront has been twofold: firstly, the vital commercial role of the port is reinforced in the community. Secondly, structural barriers, both in the physical and psychological sense, are erected between the port and the city. In addition, some obsolete port facilities have adversely affected the port's image and the perception of the waterfront. The relationship between the port and the city, once one of mutual interaction, has become less intimate reflecting, at times, the inevitable conflict.

The marine activity at Long Wharf in the Port of Saint John is separated, both physically and psychologically, from the city by highspeed roadways and railway lines.

Changes in the structure and function of the city itself have equally altered that perception. The city core was once the location of manufacturing industries which had a functional relationship with the port. Their raw materials were received through the port and their finished products reached market through the port. For a number of years, though, manufacturing industries have played a diminishing role in the business life of the central city. Industrial firms have migrated away from urban centres, leaving the city core to emerging highrise office towers of business and finance. While there are still many examples of industries located on the waterfront including pulpmills, refineries and fishplants, the urban core of larger port cities is increasingly geared towards the provision of specific services rather than the production of goods.

In comparison with the rest of the city, the port area is often the oldest sector, having been the original site for industrial, commercial and residential uses. As cities changed, through cycles of progress and decline, the urban waterfront was a natural focal point for redevelopment. A new waterfront constituency developed, viewing the waterfront as an attractive public resource. Land and water were defined in terms of access, historical and cultural qualities, residential and recreational potential, and visual aesthetics. In many cities, restoration, renovation, and recreation became familiar themes as the historical, residential and cultural features of the waterfront were physically upgraded and promoted for the benefit of urban residents and tourists alike.

One impact of this changed orientation was that the historical water-related and water-dependent uses of the port were given less consideration as a viable land use, although their continuing economic impact on the city and its inhabitants has seldom been questioned. These changes and their implications ultimately confront port management throughout Canada, albeit at different times and with varying degrees of intensity.

In recognition of change and the importance of the waterfront property for alternative uses, ports have adopted a conciliatory stance, and have conceded significant portions of their land and structures to urban and community development. Ports, particularly those in mature urban centres, have now reconciled themselves with this position and have responded by ensuring that special characteristics of certain waterfront sites have been developed in response to community needs. The Vieux Port projects in the ports of Montréal, Québec and Trois-Rivières are prime examples of this new approach. They have provided the urban population with access to the ports and to the St. Lawrence River.

The traditional pattern of industrial land and water uses, such as grain handling in the Port of Québec, may be challenged by recreational and residential developments.

The authentic display of the cultural heritage of Place Royale in Québec is linked physically with the port and the river. It is also a key attribute of the tourist industry, so vital to the city's economic well-being. Successful urban renewal prospects in Halifax and Saint John were achieved by establishing a clear relationship between the communities' interests and the ports' traditional functions.

In Saint John, New Brunswick, the Market Square development, a retail, office, hotel and residential complex, has rejuvenated the downtown city core. Situated in the north-end of the harbour, it is possible to watch container vessels load from the comfort of a condominium living room or a hotel lounge.

The Historic Properties development in the Port of Halifax provides year-round access to the ocean, and has created a meeting place on the harbour for office workers and tourists alike with restaurants, boutiques and pubs bringing to life the renovated historical buildings.

Office towers of the Montréal central business district overlook daily cargo movements in the port.

There have always been pressures for alternate, non-port-related waterfront developments in the Port of Vancouver. Perhaps the climate, the panoramic setting, and the location of Stanley Park, on the waterfront, have engendered the community with a very personal view and interpretation of the port. Consequently, the waterfront now represents a blending of activities which have perpetuated the human relationship with the ocean; from the public viewing area of the Vanterm container terminal, to the Seabus Terminal, the Canada Place complex of Expo 86 and the port's new cruise ship facility. All the while, the fundamental role of the port in Canada's transportation network has been maintained.

The role of the waterfront in the Port of Vancouver is reflected by the combination and compatibility of different land uses; marine terminals, parkland, highrise development.

In Chicoutimi, the relocation of the marine terminal to Grande-Anse, outside the existing urban core, will eliminate the industrial presence of the port in the city and will permit alternate uses of the old terminal area. In Sept-Îles, the construction of the Pointe-Noire terminal, at a significant distance from the city, will encourage heavy industrial development which would not have been compatible with urban life.

Perceptions are changing. There must be a balanced approach towards waterfront development proposals. The role and responsibilities of the port must be understood by all elements of the urban community, not only locally, but also in the regional and national contexts. Canadian port administrators also recognize the intrinsic values and the appreciation which a community places on such a complex resource. Conflicts regarding waterfront jurisdiction, appropriate use, public access and private and public sector participation in project development must be resolved through good planning, sensitivity and an openness for cooperation on all sides.

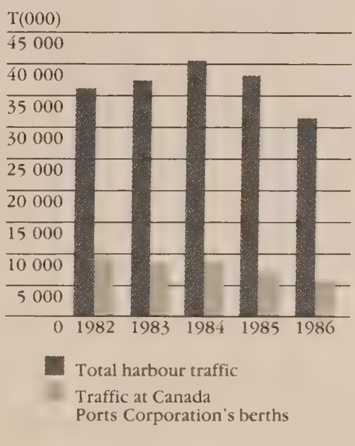
Ports Canada will continue to play its vital role in reconciling the diverging pressures on waterfront lands for cultural values, on the one hand, and economic development, on the other.

The promise of new waterfront opportunities, generated by renovation, restoration and creative adaptive uses, comes to life in the Historic Properties, Port of Halifax.

Canada Ports Corporation

Performance Highlights

- Total port traffic was 31.2 million tonnes.
- New terminals officially opened: Grande-Anse in Chicoutimi, Pointe-Noire in Sept-Îles.
- Port Colborne grain elevator leased to private sector.
- Major projects for the Port of Churchill, dredging and construction of tug, neared completion.



Review of Business

The Canada Ports Corporation (CPC) includes the ports of Belledune, Chicoutimi, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières. The Port of Saint John was established as a local port corporation effective at the close of business on December 31, 1986. Accordingly, the 1986 results of operations at the Port of Saint John are reported separately from those of the CPC ports.

The seven ports of the Canada Ports Corporation accounted for cargo volume of 31.2 million tonnes, representing 19 percent of the total traffic handled by the Ports Canada system. This is a volume increase of 6 percent over the 29.4 million tonnes handled in 1985. Of this total port traffic, 19 percent or 5.8 million tonnes, was handled at facilities owned by the Corporation. This represents an increase of 26 percent from the 4.6 million tonnes handled in 1985.

In Sept-Îles, total tonnage increased by 2 percent to 23.1 million tonnes. Most of this increase was due to a higher level of iron ore traffic through privately owned facilities, but there were also increases in ship-to-ship coal transshipments and shipments of petroleum products.

Higher grain throughput in 1986, versus the previous year, gave a boost to the ports of Trois-Rivières and Churchill. Grain volumes at Trois-Rivières were up over 1985 levels by 58 percent to 2.1 million tonnes and by 64 percent at Churchill to 591,000 tonnes. However, grain volumes fell at Prescott and Port Colborne by 18 percent and 24 percent respectively. Overall, grain throughput at the CPC ports was up 45 percent over 1985 to 3.0 million tonnes.

Cargo volume at the Port of Chicoutimi, including Baie des Ha! Ha!, was up 7 percent in 1986 to 3.9 million tonnes. Commodities contributing to the increase in tonnage included aluminum and petroleum products, salt, coal, iron ore and wood pulp. At Belledune, an 18 percent increase in volume for 1986, to 358,000 tonnes, was the result of increased shipments of bulk fertilizer and sulfuric acid.

Revenue from Operations

Operating revenues of $15.0 million for 1986 were up 22 percent from the $12.3 million recorded in 1985. This largely reflects a 26 percent increase in traffic through CPC-owned facilities. The most dramatic increase in operating revenues occurred at the Port of Churchill, where the 1985 revenue level of $4.3 million increased 69 percent to $7.2 million for 1986. Increases in operating revenues were also recorded at Belledune, Sept-Îles, Chicoutimi, Trois-Rivières and Prescott. These increases were partially offset by a $1.0 million decline in operating revenues at Port Colborne caused, in part, by lower grain volume. The reduced operating revenues at Port Colborne also reflect the fact that since August 1, 1986, the grain elevator has been leased to a private operator. The lease arrangement for the elevator has also had the corresponding impact of reducing operating expenses.

Operating Expenses

Increases in operating expenses for 1986 were kept to 2.2 percent for a total of $15.6 million compared to $15.3 million in 1985. Contributing to this low rate of growth were lower depreciation and grants in lieu of municipal taxes. Leasing the Port Colborne grain elevator to a private operator contributed to a reduction in operating expenses.

Interest

Investment income of $5.1 million was down 25 percent from the 1985 level of $6.9 million. This reduction was a result of a lower investment base following a $25.7 million cash payment to the Government of Canada in 1986.

Income from Operations

Funds provided by operations for the seven CPC ports, before depreciation, amounted to $2.2 million compared to $0.2 million in 1985. Provision for depreciation of $2.9 million resulted in an operating loss of $0.7 million for 1986, compared to an operating loss of $3.0 million in 1985. This improvement was largely the result of improved financial performance at the Port of Churchill, which achieved an operating income of $0.2 million for 1986 compared to an operating loss of $2.5 million in 1985.

Net Income

Before making provision for its share in the loss of Ridley Terminals Inc. and not including results from ports which have become local port corporations, CPC achieved a net income of $4.3 million in 1986, compared to a net income of $3.7 million in 1985. CPC incurred a 1986 loss on its investment in Ridley Terminals Inc. of $5.1 million. Including the results of Ridley Terminals Inc. and ports which have become local port corporations during the reporting period, the net loss of the Corporation was $1.7 million in 1986, compared to a net loss of $1.6 million in 1985.

Capital Investments

The Corporation spent $15.9 million on fixed assets in 1986, compared to $15.7 million in 1985 (excluding expenditures at ports which have since become local port corporations). Grant funds of $13 million were received from the federal government in 1986 to fund capital projects with the remaining funds being provided by working capital.

At the Port of Churchill, major expenditures were incurred in dredging the loading berth and in having a new tugboat constructed. Total capital expenditures at the port for 1986 amounted to $9.8 million, most of which was funded by grants.

The Pointe-Noire development at the Port of Sept-Îles was opened in 1986. Expenditures on this project to the end of 1986 reached $28.1 million, $3.3 million of which were spent in 1986, with an estimated $3.5 million to be spent in 1987 to complete the project. This project is being funded entirely by federal grants.

The relocation of the Port of Chicoutimi facilities to Grande-Anse was essentially completed in 1986. Project expenditures for 1986 amounted to $1.7 million and were funded by working capital. The remaining $0.9 million to be spent in 1987 to complete the project will also be funded by working capital. The total cost of the project is $26.6 million, of which 85 percent is being funded by federal grants.

Note:

The Port of Saint John was established as a local port corporation effective at the closing of business on December 31, 1986. This financial overview excludes the results of this port for 1985 and 1986. In comparison with 1985 data, results for the Port of St. John's, Newfoundland, which became a local port corporation on June 1, 1985, have been excluded for all of 1985.

Port of Belledune

The Port of Belledune is situated on the south shore of the Baie des Chaleurs in New Brunswick, about 35 km northwest of Bathurst and 50 km east of Dalhousie. The port's single berth wharf, 167.6 m in length, is connected to the shore by a 7.5 m wide roadway constructed along the in-shore side of the breakwater.

Belledune Fertilizer leases the facility and operates it primarily as a bulk-loading terminal. Two other companies, Brunswick Mining and Smelting and Shell Canada, along with Belledune Fertilizer, accounted for almost 100 percent of the port's 1986 traffic, 358,000 tonnes, up from 303,000 tonnes in 1985.

Major commodities unloaded at the port throughout the year included 207,000 tonnes of phosphate rock, 74,000 tonnes of petroleum products and 16,000 tonnes of sulphuric acid. Outward commodities included 14,000 tonnes of lead ingots and 34,000 tonnes of di-ammonium phosphate.

In 1986, Ports Canada spent $205,000 on improving wharf lighting and safety features and Belledune Fertilizer contributed $194,000 in wharf repairs.

In 1986, revenue from operations was $188,000 compared with $147,000 in 1985. The port had an operating loss of $33,000, an improvement over the 1985 loss of $131,000. The port had a,net loss of $26,000 compared to a 1985 loss of $96,000.

Port of Chicoutimi

The Port of Chicoutimi is situated at the head of the navigable portion of the Saguenay River, approximately 121 km from the river's mouth and confluence with the St. Lawrence River. The port handles petroleum products, dry bulk, general cargo including forest products and is an important component in the transportation network serving the region's resource-based industries.

Private wharf facilities owned by Alcan, and located in Baie des Ha! Ha!, downstream from Chicoutimi, handled, in 1986, 3.4 million tonnes of commodities used in the production of aluminum; alumina, bauxite, coke, caustic soda as well as the export of the finished product. The facilities, are also used for the export of forest products.

The new $26.6 million marine terminal located at Grande-Anse was officially opened on October 9, 1986. The facilities, located on 6 hectares of land, include a 284 m wharf with a water depth alongside of 16 m and a 5,750 square metre cargo shed. The facilities, which are operational year-round, can accommodate dry bulk cargoes as well as general cargo.

In 1986, the port handled 482,000 tonnes, a 32 percent increase over the 1985 figure of 364,000 tonnes. Total dry bulk increased from 79,000 tonnes to 121,000 tonnes and included 89,000 tonnes of salt and 30,000 tonnes of coal. The port also handled 207,000 tonnes of petroleum products.

In 1986, revenue from operations increased to $1.3 million from $1 million in 1985. Net income fell from $1.1 million in 1985 to $0.7 million in 1986.

Port of Churchill
The Port of Churchill is situated on the Churchill River estuary on the western shore of Hudson Bay. It serves as an export outlet for western Canadian grain and as a re-supply depot for a number of communities in the Northwest Territories.

The terminal facilities include a grain elevator with a 140,000 tonne storage capacity. All berths are served by 10 km of CN track. Grain is delivered to the port in box cars.

In 1986, the port handled a total of 621,000 tonnes of cargo, a significant increase over the 1985 level of 391,000 tonnes. The 1986 figure included 591,000 tonnes of barley, up from 359,000 tonnes in 1985 and 30,000 tonnes of fuel and general cargo handled by the Northern Transportation Company Ltd. in their re-supply operations.

Major progress was made in 1986 on several projects initiated under the Canada-Manitoba Subsidiary Agreement on Churchill. In May, Fraser River Pile Driving Co. Ltd. was awarded a $7.3 million contract for berth dredging. At year's end, the work was 95 percent completed. Work neared completion on the construction of a new 3000 horsepower tug, the "HM WILSON", by Riverton Boat Works Ltd. under a $2.6 million contract awarded in late 1985. Also released, for review, was a series of studies examining season extension, additional commodities, re-supply operations and grain shipping costs.

In 1986, revenue from operations increased to $7.2 million from $4.3 million in 1985. The port's income from operations was $0.2 million compared to a 1985 loss of $2.5 million. Net income in 1986 was $0.7 million compared to the 1985 net loss of $1.6 million.

Port Colborne
Port Colborne is located at the south-end of the Welland Canal on the Seaway system. The 84,000 tonne grain elevator is used mainly for the export of Ontario-grown grain directly overseas or by transfer to downstream elevators. Local flour mills are supplied with wheat during the winter. The port is serviced by both rail and road.

Following a call for proposals in late 1985, the elevator was leased on a long-term basis to Goderich Elevators Limited of Ontario, effective July 1, 1986. An earlier task force study concluded that the private sector would provide the elevator with the greatest potential increase in grain traffic.

In 1986, Port Colborne handled 70,000 tonnes of grain compared to 92,000 tonnes in 1985.

Total revenue from operations was $0.4 million in 1986 compared with $1.4 million in 1985. The port had an operating loss of $1 million compared with a 1985 loss of $0.5 million and had a net loss of $0.5 million in relation to the 1985 net income of $0.3 million.

Port of Prescott

The Port of Prescott is situated on the St. Lawrence River approximately 200 km west of Montréal. Port facilities include a grain elevator with a 154,000 tonne storage capacity, two berths with Seaway depth for loading and unloading grain and an open storage area for dry bulk cargoes. The elevator is served by a rail siding accessible to both CN and CP.

The elevator was originally constructed in 1930 to transfer grain from larger upper-lake vessels to smaller canal-sized vessels. Currently, the elevator handles primarily Ontario wheat for export along with other grains for animal feed and milling.

In 1986, the port handled a total of 338,000 tonnes of cargo, a decrease of 19 percent over the 1985 tonnage of 419,000 tonnes. Grain tonnage decreased slightly from 288,000 tonnes to 235,000 tonnes. Salt traffic remained relatively constant at 98,000 tonnes while fertilizer decreased from 22,000 tonnes to 4,000 tonnes.

In 1986, revenue from operations increased to $2.7 million from $2.6 million in 1985. Income from operations rose to $0.2 million from $0.1 million in 1985 while net income dropped to $1.9 million from $2.3 million.

Port of Sept-Îles

The Port of Sept-Îles is located on the north shore of the St. Lawrence River, approximately 650 km downstream from Québec City and is well known for its large natural harbour. With a water depth of 80 meters at the entrance to Sept-Îles Bay, the port can accommodate the largest ocean-going bulk carriers on a year-round basis.

The port serves the iron ore mining industry of Quebec and Labrador. Traffic generated by the Iron Ore Company and Wabush Mines accounts for over 90 percent of total port activity. In 1986, the port handled 21 million tonnes of iron ore, the same as in 1985.

The new $36 million terminal at Pointe-Noire was officially opened by the Right Honourable Brian Mulroney, on August 21, 1986. The facilities include a 260 m wharf with a water depth of 14 m, a ro-ro ramp and 8 hectares of open storage for bulk commodities.

In 1986, total port tonnage increased 2 percent to 23.1 million tonnes, compared with 22.6 million tonnes in 1985. Ship-to-ship transfers of coal from lakers to ocean going vessels increased to 838,000 tonnes from 767,000 tonnes in 1985. The port also handled 474,000 tonnes of petroleum products in 1986.

In 1986, revenue from operations increased slightly to $1.1 million from $1 million in 1985. Operating loss increased to $63,000 from $29,000 in 1985 while 1986 net income rose to $0.5 million from $0.4 million in 1985.

Port of Trois-Rivières

The Port of Trois-Rivières is situated on the north shore of the St. Lawrence River, midway between Montréal and Québec, at the mouth of the St. Maurice River.

The port is open year-round and handles a wide range of commodities including grain, petroleum products, various ores, caustic soda, salt and forest products.

In 1986, the port handled a total of 2.8 million tonnes, up substantially from the 2 million tonnes handled in 1985. Total dry bulk cargoes increased 46 percent to 2.4 million tonnes with grain increasing from 1.4 million tonnes in 1985 to 2.1 million tonnes in 1986. Forest products, including newsprint and fine papers, increased 60 percent to 110,000 tonnes.

In 1986, revenue from operations was $2 million, up from $1.9 million in 1985. Income from operations increased from $0.1 million in 1985 to $0.2 million while 1986 net income decreased to $1.1 million from $1.4 million in 1985.

Auditors' Report

To the Honourable John C. Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1986 and the statements of income, surplus, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 18, 1987

Balance Sheet as at December 31, 1986

(in thousands of dollars)

Assets	**1986**	1985
Current		
Cash	**$ 225**	$ 641
Investments (Note 4)	**27,864**	61,740
Accounts receivable	**2,252**	4,237
Due from Canada	**458**	2,645
Materials and supplies	**352**	514
	31,151	69,777
Long-term investments (Note 4)	**18,225**	19,102
Investment in Ridley Terminals Inc. (Note 5)	**11,137**	16,227
Fixed assets (Note 7)	**39,528**	126,147
	$100,041	$231,253

Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	**$ 6,158**	$ 13,539
Grants in lieu of municipal taxes	**491**	480
	6,649	14,019
Long-term		
Accrued employee benefits	**1,303**	1,554
Financing provided by a province (Note 9)	**—**	19,696
Loans from Canada (Note 10)	**24,893**	103,144
	26,196	124,394

Equity of Canada		
Contributed capital	**55,896**	130,734
Contribution from (to) Canada (Note 12)	**(5,589)**	20,072
Surplus (deficit)	**16,889**	(57,966)
	67,196	92,840
	$100,041	$231,253

On behalf of the Board:

The Honourable A.R. Huntington
Chairman

Denis de Belleval
President and Chief Executive Officer

Statement of Income

(in thousands of dollars)

for the year ended December 31, 1986	**1986**	1985
Revenue from operations	**$ 14,959**	$ 12,295
Operating and administrative expenses — net	**11,510**	10,857
Depreciation	**2,877**	3,169
Grants in lieu of municipal taxes	**1,255**	1,286
	15,642	15,312
Net loss from operations	**(683)**	(3,017)
Investment income	**5,149**	6,864
Interest expense	**(128)**	(132)
Net income before the undernoted items	**4,338**	3,715
Net loss of ports established as local port corporations (Note 3)	**(988)**	(536)
Share in loss of Ridley Terminals Inc. (Note 5)	**(5,090)**	(4,797)
Net loss	**$ (1,740)**	$ (1,618)

Statement of Surplus (Deficit)

(in thousands of dollars)

for the year ended December 31, 1986	**1986**	1985
Deficit at beginning of the year		
As previously reported	**$ (57,966)**	$ (56,775)
Adjustment of prior year's share in loss of Ridley Terminals Inc. (Note 5)	**—**	1,291
As restated	**(57,966)**	(55,484)
Net loss	**(1,740)**	(1,618)
	(59,706)	(57,102)
Surplus (deficit) transferred to local port corporations (Note 3)	**(76,595)**	864
Surplus (deficit) at end of the year	**$ 16,889**	$ (57,966)

Statement of Contributed Capital

(in thousands of dollars)

for the year ended December 31, 1986	**1986**	1985
Contributed capital at beginning of the year	**$130,734**	$142,319
Forgiveness of deferred interest on loans from Canada (Note 10)	**4,371**	—
Contributed capital transferred to local port corporations (Note 3)	**(79,209)**	(11,585)
Contributed capital at end of the year	**$ 55,896**	$130,734

Statement of Changes in Financial Position

for the year ended December 31, 1986

(in thousands of dollars)

	1986	1985
Operating Activities		
Net loss	$ (1,740)	$ (1,618)
Items not affecting cash		
Depreciation	5,483	6,078
Deferred interest	—	609
Share in loss of Ridley Terminals Inc.	5,090	4,797
Other	127	122
Increase in operating components of working capital	(2,727)	(245)
Cash provided by operating activities	6,233	9,743
Financing Activities		
Capital grants	12,993	14,127
Loans from Canada	(6,993)	2,570
Decrease (increase) in current portion of Loans from Canada	1,469	(1,712)
Decrease (increase) in current portion of financing provided by a province	(175)	1,100
Repayment of deferred interest	—	(486)
Contribution to Canada	(26,694)	—
Cash provided (required) by financing activities	(19,400)	15,599
Investing Activities		
Additions to fixed assets	16,379	17,310
Proceeds on disposal of fixed assets	(187)	(12)
Cash required by investing activities	16,192	17,298
Increase (decrease) in cash and short-term investments	(29,359)	8,044
Cash and short-term investments at beginning of the year	62,381	60,028
Cash and short-term investments transferred to local port corporations (Note 3)	(4,933)	(5,691)
Cash and short-term investments at end of the year	$28,089	$62,381

Notes to Financial Statements

December 31, 1986

1. Canada Ports Corporation Act

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. Significant Accounting Policies

a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Local Port Corporations
At the closing of business on December 31, 1986, the Port of Saint John, New Brunswick was established as a local port corporation under the name of Saint John Port Corporation. The Port of St. John's, Newfoundland was established as a local port corporation on June 1, 1985, under the name of St. John's Port Corporation.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the local port corporations on the dates of their establishment at their carrying value in the accounts of the Corporation. As a result, the carrying value of the assets, liabilities and equity of the Corporation has been reduced as follows:

(in thousands of dollars)

	1986	1985
Assets		
Cash and short-term investments	**$ 4,933**	$ 5,691
Other working capital	**(309)**	(303)
Long-term investments	**949**	944
Fixed	**84,368**	8,135
	$89,941	$14,467
Liabilities		
Long-term accrued employee benefits	**$ 483**	$ 69
Financing provided by a province	**19,521**	—
Loans from Canada	**68,356**	1,949
	88,360	2,018
Equity		
Contributed capital	**79,209**	11,585
Contribution to Canada	**(1,033)**	—
Surplus (deficit)	**(76,595)**	864
	$89,941	$14,467

The statement of income includes the results of operations of the Port of Saint John for the years ended December 31, 1986 and 1985, and the results of operations of the Port of St. John's for the five month period ended May 31, 1985, as follows:

(in thousands of dollars)

	1986	1985
Revenue from operations	**$11,562**	$12,228
Operating and administrative expenses	**7,098**	7,297
Depreciation	**2,606**	2,909
Grants in lieu of municipal taxes	**801**	808
	10,505	11,014
Net income from operations	**1,057**	1,214
Investment income	**1,268**	1,900
Interest expense	**(3,313)**	(3,650)
Net loss of ports established as local port corporations	**$ (988)**	$ (536)

4. Investments
Investments, which are direct and guaranteed securities of Canada, are:

(in thousands of dollars)

	1986		1985	
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Current	**$27,864**	**$27,874**	$61,740	$61,726
Long term	**$18,225**	**$22,050**	$19,102	$21,830

5. Investment in Ridley Terminals Inc.
Ridley Terminals Inc. (RTI) was incorporated on December 18, 1981, under the Canada Business Corporations Act to develop, manage and operate a coal terminal on Ridley Island at the Port of Prince Rupert.

At December 31, 1986, Canada Ports Corporation (the Corporation) had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the Class A preference shares ($23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the Class B preference shares ($23,020,500) of RTI.

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1986, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

As a result of RTI's successful appeal of the assessment of the 1983 and 1984 property taxes, $2,582,000 was refunded to RTI in March 1985. The Corporation's deficit balance at January 1, 1985, was adjusted accordingly by $1,291,000 representing the Corporation's 50% share of the amount received.

The investment in Ridley Terminals Inc. is composed of:

(in thousands of dollars)

	1986	1985
Balance at beginning of the year	**$ 16,227**	$ 21,024
Share in loss	**(5,090)**	(4,797)
Balance at end of the year	**$ 11,137**	$ 16,227

A summary of the balance sheet of RTI as at December 31, as reported in its audited financial statements shows:

(in thousands of dollars)

	1986	1985
Assets		
Current	**$ 3,640**	$ 4,580
Fixed	**224,792**	230,540
Other	**83**	92
	$228,515	$235,212
Liabilities		
Current	**$ 1,225**	$ 1,941
Long-term debt	**203,835**	199,636
	205,060	201,577
Equity	**23,455**	33,635
	$228,515	$235,212

RTI has two long-term financing agreements with a major Canadian bank as follows:

a) a construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on the bank loans is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently 1/2% per annum.

b) a revolving credit loan agreement which provides an $80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1989 through January 31, 1992. Interest on the bank loans is at the bank's prime rate plus 1/4% per annum, payable monthly. The Bankers' Acceptance fee is currently 3/4% per annum.

This agreement is secured by a $350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease with the Prince Rupert Port Corporation.

As at December 31, 1986, drawings under these agreements were as follows:

(in thousands of dollars)

	1986	1985
a) Construction credit loan agreement —		
Bank loans	$ —	$ 65,000
Bankers' acceptances, net of unamortized interest charges	197,940	134,036
	197,940	199,036
b) Revolving credit loan agreement —		
Bank loans	1,900	600
Bankers' acceptances, net of unamortized interest charges	3,995	—
	5,895	600
	$203,835	$199,636

Based on the amounts borrowed under the credit facilities as at December 31, 1986, annual principal repayments over the next five years amount to $738,000 in 1989, $1,918,000 in 1990 and $7,200,000 in 1991.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The Class B preference shares annual dividend of 20% is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profit taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates in the event that dividends accrued are not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1986, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

(in thousands of dollars)

	1986	1985
Class A preference shares held by Canada Ports Corporation	$19,745	$12,930
Class B preference shares held by Fednav Limited	46,567	29,764
	$66,312	$42,694

The results of operations of RTI for the year ended December 31, 1986, in comparison with the year ended December 31, 1985, are as follows:

(in thousands of dollars)

	1986	1985
Revenue from operations	$ 28,793	$30,855
Operating and administrative expenses	12,408	12,943
Depreciation	6,594	7,212
Interest expense	19,971	20,294
	38,973	40,449
Net loss	$(10,180)	$ (9,594)

6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amount of $14,153,000 (1985-$14,257,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of $971,000 (1985-$978,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of Saint John Harbour Bridge Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1986, this transfer had not been completed.

7. Fixed Assets

a) Summary

(in thousands of dollars)

				1986	1985
	Depreciation rates (%)	**Cost**	**Accumulated depreciation**	**Net**	Net
Land	—	**$ 5,591**	**$ —**	**$ 5,591**	$35,647
Dredging	**2.5-6.7**	**9,330**	**5,101**	**4,229**	5,187
Berthing structures	**2.5-10**	**35,128**	**17,835**	**17,293**	56,090
Buildings	**2.5-10**	**15,911**	**11,982**	**3,929**	12,728
Utilities	**3.3-10**	**2,884**	**1,282**	**1,602**	6,405
Roads and surfaces	**2.5-10**	**2,139**	**1,706**	**433**	1,729
Machinery and equipment	**5-100**	**18,640**	**13,598**	**5,042**	6,337
Office furniture and equipment	**20**	**2,161**	**1,749**	**412**	462
Works under construction	—	**997**	**—**	**997**	1,562
		$92,781	**$53,253**	**$39,528**	$126,147

b) Capital grants

During the year, the Corporation received capital grants totalling $12,993,000 (1985-$14,127,000) towards the construction of capital projects.

c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $232,000, of which most will be expended in the year ending December 31, 1987.

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following:

(in thousands of dollars)

	1986	1985
Deferred revenues	**$192**	$ 749
Current portion of long-term liabilities	**$ 70**	$1,712

9. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. As at December 31, 1986, both the asset and the remaining debt were transferred to the Saint John Port Corporation.

10. Loans from Canada

(in thousands of dollars)

	1986	1985
Loans bearing interest at 6.44% and 9.09% with blended annual principal and interest repayment requirements of $193,000 and maturing on December 31, 2000.	**$ 1,632**	$29,362
Deferred interest	**—**	4,371
Less: current portion	**(70)**	(1,712)
	1,562	32,021
Non-interest bearing loans with indefinite due date	**17,841**	55,609
Accrued interest on loans not due and payable	**5,490**	15,514
	$24,893	$103,144

Deferred interest on loans of $19,737,000 for the construction of terminal facilities at the Port of Saint John amounted to $4,371,000 as at December 31, 1985. In 1986, the deferred interest was forgiven by the Minister of Finance and was treated as contributed capital.

Principal repayment requirements over the next five years amount to $70,000 in 1987, $75,000 in 1988, $81,000 in 1989, $87,000 in 1990 and $93,000 in 1991.

11. Contingencies

Claims aggregating approximately $500,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

12. Contribution from (to) Canada

In 1982, the Corporation received a contribution from Canada of $20,072,000 for the purchase of shares in Ridley Terminals Inc. The terms and conditions of repayment of the contribution were to be determined by Treasury Board and the Corporation prior to April 1, 1989.

In 1985, Canada requested from various Crown Corporations a portion of cash identified as surplus to their requirements. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system which, at that time, consisted of the Canada Ports Corporation and the six local port corporations.

The Corporation's share of the contribution, excluding the Port of Saint John's share, was in the amount of $25,661,000 of which $20,072,000 has been applied against Contribution from Canada as authorized by the Minister of Transport. The balance of $5,589,000 has been treated as a Contribution to Canada.

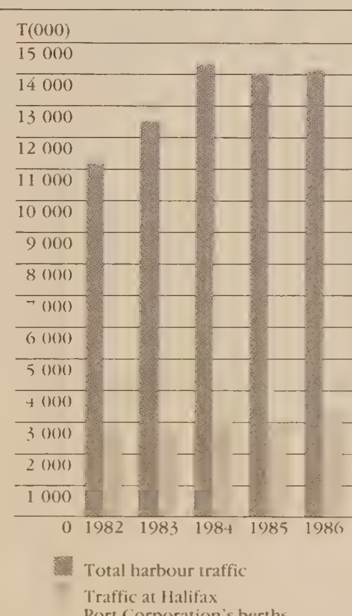
13. Comparative Figures

The 1985 figures have been reclassified in order to conform with this year's presentation.

Halifax Port Corporation

Performance Highlights

- Container cargo volume over H.P.C. facilities increased by 16% to 2.3 million tonnes.
- Vessel Gross Registered Tonnage at H.P.C. facilities increased by 7% to 17 million tonnes.
- Total cargo volume at H.P.C. facilities increased by 13% to 3.3 million tonnes.
- Greatest cargo volume ever over H.P.C. facilities (excluding war years)
- Seven shipping lines commenced a service over H.P.C. facilities during the year.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Raymond V. Beck

David F. Bellefontaine

Halifax, the capital city of the Province of Nova Scotia, is first and foremost an historical port city. In 1749, General Cornwallis founded modern Halifax as a garrison town and naval base during the Anglo-French struggle for the control of Canada. Even earlier, in 1701, a French governor described Halifax as "the finest port nature could form", with its outer harbour, four miles long, and with a narrow channel leading to a huge inner harbour, Bedford Basin. It was here, in Bedford Basin, where the convoys of the two world wars assembled for the Atlantic crossing.

In fact, Halifax became a strategic location not only for the two great wars but also during the American War of Independence and the Napoleonic Wars. Its geographic situation, on the doorstep of the great Atlantic Ocean, provided an excellent location for ship safety, and today Halifax is the headquarters of the Canadian Armed Forces, Maritime Command.

On the commercial side, Halifax is well known as the birth place of Samuel Cunard, who in 1838 founded the British and North American Royal Mail Steam Packet Company with a service between Halifax, Boston and Bermuda. A year later, he founded Cunard Line, won the mail contract, and his first ship BRITANNIA sailed to Halifax from Liverpool. On July 17, 1840, the BRITANNIA docked in Halifax, marking another historical event in Canadian history; for who was on board but Charles Dickens.

Shipping has come a long way since Charles Dickens visited Halifax 146 years ago; the Port of Halifax, with its state-of-the-art container terminals, efficient inland rail system, stable work force, and geographic advantages, has now become a fully-integrated, intermodal transportation and distribution centre. The Corporation's mandate to provide safe and efficient marine terminals and facilities to support Canadian and international trade is becoming increasingly difficult to maintain. Competitive pressures from other North American ports and from shipping lines to improve service levels and reduce port costs are natural ingredients of managing ports today. Port management must scrutinize costs of all port operations to ensure that these costs are competitive; failure to follow this policy will lead to traffic loss.

The Halifax Port Corporation has invested heavily in new terminal infrastructure in order to protect its customer base and to provide for traffic growth in the future. The Corporation believes the French governor was correct in his statement in 1701; the task is to ensure that Halifax keeps its rightful place among the world's leading ports.

Capital Expenditures

Capital expenditures in 1986 totalled $2 million, of which $840,000 was invested in completing the Fairview Cove container berth extension which became operational, on schedule, on June 1, 1986. The Fairview Cove container terminal complex now has a total berth length of 658 meters, and combined with the Pier "C" container terminal, the port can handle over 4 million tonnes of container cargo per year.

Ten years of capital investment in the Corporation's facilities amounts to $59.1 million; of this amount, $43.9 million has been spent on providing new container facilities. Over the next five years, the port plans to spend $10.9 million on its capital program for facility modernization and additional berthing structures. The Corporation's policy of sound investments will ensure that financial viability is maintained and the port's success assured.

Cargo Highlights

Total harbour traffic reached a level of 14.1 million tonnes in 1986, up slightly from the 14 million tonnes recorded in 1985. Imports of crude oil decreased by 3.3 percent to a level of 4.2 million tonnes in 1986, whereas imports and exports of refined oil products increased by 1 percent to 3.5 million tonnes in 1986.

A new record was reached for containerized cargo in 1986; 2.265 million tonnes of containerized cargo was recorded in 1986 resulting in an increase of 15.9 percent over the 1.954 million tonnes in 1985. At Halifax Port Corporation berths, containerized cargo represented 68.2 percent of total cargo handled, compared with 66.6 percent a year earlier. The trend toward larger container vessels is expected to favour Halifax in the future. Marketing efforts are being concentrated on the port's advantages as a load centre for round-the-world shipping interests.

Financial Results

Revenue from operations was $11 million, down from the $11.8 million in 1985 due to the leasing of the grain elevator facility in late 1985. Total expenses amounted to $9.9 million, a decrease of 7.5 percent from $10.7 million recorded in 1985. Net income from operations rose to $1.6 million, an increase of 46.7 percent from 1985; net interest expense for the year was $0.1 million, compared to net interest income of $0.6 million a year earlier. Net income was $1.3 million, a reduction of $0.4 million from the preceding year. The Corporation's working capital improved by $4.2 million during the year, of which $3.6 million represented a reduction in current trade payables associated with capital projects.

The reduction in investment income and increase in interest expense on loans acquired for capital funding resulted in the decline in port profits.

During 1986, seven shipping lines added Halifax as a port of call for their container/general cargo service — Associated Container Transportation formed a slot character agreement with Columbus Line and commenced their service in January; Ocean Star Line commenced its service from Australia and New Zealand in April; Jebsen Line started its service in April with monthly sailings to Australia, New Zealand and the Mediterranean; Orient Overseas Container Line commenced its service in May, followed by Neptune Orient Line in June and Kawasaki Kisen Kaisha Limited in August. This consortium has a dedicated service from Halifax direct to Southeast Asia. Scan Carriers (Barber Blue Sea) started its Halifax service in June with sailings to Australia and New Zealand. The addition of these customers in 1986 supports the philosophy of port management that the trend towards larger vessels and fewer port calls will continue; geographic location of a port is a key factor in the decision making process by shipping lines.

In addition to the record year for containers, the port handled thirty-four cruise ship calls, carrying over 15,000 passengers in 1986, up from seventeen vessel calls in 1985. It is expected that this business will continue in 1987.

We take this opportunity to thank the employees of the Corporation for their support over the past year, and to waterfront labour, port users and all of our colleagues in the shipping business for their contribution in 1986. It has to be remembered that the port operates as a "team effort"; the team has a common interest — to promote the Port of Halifax and to ensure that it retains its rightful place among other leading ports around the world.

R. V. Beck.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1986, and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Moore Raymond

Chartered Accountants

Halifax, Nova Scotia
February 6, 1987

Balance Sheet as at December 31, 1986

Assets	1986	1985
Current		
Cash	$ 52,148	$ 228,147
Investments (Note 3)	3,999,445	3,597,121
Accounts receivable	2,590,519	1,753,353
Materials and supplies	92,842	84,491
	6,734,954	5,663,112
Investments (Note 3)	33,195	33,090
Amounts receivable		350,782
Fixed (Note 4)	53,839,280	54,172,543
	$60,607,429	$60,219,527

Liabilities	1986	1985
Current		
Accounts payable and accrued liabilities	$ 837,109	$ 4,468,785
Grants in lieu of municipal taxes	32,702	163,809
Deferred revenues	858,106	523,308
Current portion of long term debt	276,080	
	2,003,997	5,155,902
Accrued employee benefits	682,648	652,043
Loans from Canada (Note 5)	34,680,853	30,556,933
	37,367,498	36,364,878

Equity	1986	1985
Contributed capital	72,136,346	72,136,346
Contribution to Canada (Note 6)	(1,920,000)	
Deficit	(46,976,415)	(48,281,697)
	23,239,931	23,854,649
	$60,607,429	$60,219,527

On behalf of the Board:

R. V. Beck

Raymond V. Beck
Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

Statement of Income and Deficit

for the year ended December 31, 1986	**1986**	1985
Revenue from operations	**$ 11,037,012**	$ 9,779,179
Operating and administrative expenses	**6,788,356**	6,290,314
Depreciation	**2,002,115**	1,519,654
Grants in lieu of municipal taxes	**668,352**	818,640
Loss on grain elevator operations (Note 7)		75,069
	9,458,823	8,703,677
Income from operations	**1,578,189**	1,075,502
Investment income	**361,937**	663,275
Interest expense	**(476,582)**	(37,989)
Loss on disposal of fixed assets	**(407,262)**	
	(521,907)	625,286
Net income before extraordinary item	**1,056,282**	1,700,788
Extraordinary item		
Gain on sale of land	**249,000**	
Net income	**1,305,282**	1,700,788
Deficit, beginning of year	**(48,281,697)**	(49,982,485)
Deficit, end of year	**$(46,976,415)**	$(48,281,697)

Statement of Changes in Financial Position

for the year ended December 31, 1986	**1986**	1985
Operating activities		
Net income before extraordinary item	**$ 1,056,282**	$ 1,700,788
Depreciation	**2,002,115**	1,519,654
Other	**437,762**	(51,772)
Decrease (increase) in operating components of working capital	**(3,997,423)**	1,101,367
Cash provided by (applied to) operating activities	**(501,264)**	4,270,037
Financing activities		
Capital grants		(10,263)
Loans from Canada	**4,123,920**	2,650,000
Loans from Canada currently payable		(2,650,000)
Cash provided by (applied to) financing activities	**4,123,920**	(10,263)
Investing activities		
Proceeds from sale of land	**249,000**	
Additions to fixed assets	**(2,080,510)**	(12,288,251)
Other	**355,179**	(68,377)
Cash applied to investing activities	**(1,476,331)**	(12,356,628)
Contribution to Canada	**(1,920,000)**	
Increase (decrease) in cash and short-term investments	**226,325**	(8,096,854)
Cash and short-term investments, beginning of year	**3,825,268**	11,922,122
Cash and short-term investments, end of year	**$ 4,051,593**	$ 3,825,268

Notes to Financial Statements

for the year ended December 31, 1986

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of Halifax to the Halifax Port Corporation.

2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Insurance
Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

	1986		1985	
	Amortized Cost	**Face Value**	Amortized Cost	Face Value
Short term	**$3,999,445**	**$4,045,400**	$3,597,121	$3,618,500
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Long term	**$ 33,195**	**$ 33,242**	$ 33,090	$ 33,242

4. Fixed Assets

	1986				1985
	Depreciation Rates	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land		**$23,324,979**	**$**	**$23,324,979**	$18,024,654
Dredging	**2.5-6.7%**	**2,596,947**	**2,201,275**	**395,672**	422,230
Berthing structures	**2.5-10%**	**32,234,879**	**16,883,596**	**15,351,283**	7,853,789
Buildings	**2.5-10%**	**17,218,138**	**10,702,336**	**6,515,802**	7,227,753
Utilities	**3.3-10%**	**4,409,404**	**1,659,267**	**2,750,137**	1,402,979
Roads and surfaces	**2.5-10%**	**6,434,209**	**3,203,685**	**3,230,524**	2,698,939
Machinery and equipment	**5-100%**	**9,230,913**	**7,389,937**	**1,840,976**	1,554,323
Office furniture and equipment	**20%**	**790,302**	**489,053**	**301,249**	351,707
Projects under construction		**128,658**		**128,658**	14,636,169
		$96,368,429	**$42,529,149**	**$53,839,280**	$54,172,543

5. Loans from Canada

	1986	1985
Non-interest bearing loan with indefinite due date	**$25,555,762**	$25,555,762
Accrued interest on loans not due and payable	**5,001,171**	5,001,171
	30,556,933	30,556,933
10% loan maturing on December 31, 1996 repayable in blended annual principal and interest payments of $716,080	**4,400,000**	
Less current portion repayable within one year	**276,080**	
	4,123,920	
The loans from Canada are unsecured.	**$34,680,853**	$30,556,933

6. Contribution to Canada

This amount was paid pursuant to a demand from the Government of Canada.

7. Comparative Figures

Certain of the 1985 comparative figures have been restated to separately disclose as follows the grain elevator operations:

Revenue from operations	**$1,981,725**
Operating and administrative expenses	**1,933,839**
Grants in lieu of municipal taxes	**122,955**
	2,056,794
Loss on operations	**$ (75,069)**

Board of Directors

Raymond V. Beck
Chairman
Former General Manager
Halifax Port Corporation
Halifax, N. S.

Donald A. Parker
Vice-Chairman
President of various local companies
Dartmouth, N. S.

Gerald E. Simmons
Former Regional Manager
Saguenay Shipping Ltd.
Dartmouth, N. S.

Paul M. Murphy, Q.C.
Partner
Patterson Kitz
Halifax, N.S.

Harald A. Henriksen
General Manager
Karlsen Shipping Company Ltd.
Halifax, N. S.

Florence R. Irwin
Partner
Canadian Annuity and Insurance Services Ltd.
Bedford, N.S.

Michael J. Proude
President
International Longshoremen's Association, Local 269
Dartmouth, N. S.

Officers of the Corporation

Raymond V. Beck
Chairman

Donald A. Parker
Vice-Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Richard T. Pentland
Director of Engineering

Dennis W. Creamer
Director of Finance and Administration

Robert A. Kaye
Director of Marketing

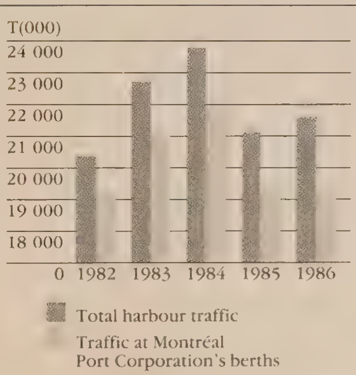
Captain Claude L. Ball
Director of Operations/Harbour Master

J. Sidney Peckford
Director of Police and Security

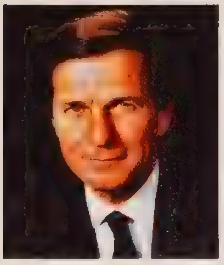
Montréal Port Corporation

Performance Highlights

- Montréal, a multifunctional port with an international stature and Canada's Number One Container Port, for the first time in its history handled over 500,000 containers (TEUs) in a single year.
- Containerized traffic increased 11.7% to 4.9 million tonnes, marking the fourth consecutive record year.
- General cargo traffic for the first time surpassed the six-million tonne mark.
- International traffic climbed 12.2% to reach the record level of 14.5 million tonnes.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Ronald Corey


Dominic J. Taddeo

The Port of Montréal is pleased to present the positive results of its port activity in 1986, a year marked by unprecedented success in containerized cargo handling.

The results achieved in the year gone by clearly show that the Port of Montréal firmly planted itself on the path of progress 20 years ago when it handled its very first container.

With the dawn of containerization, the Port of Montréal not only expanded its market horizons, but also enhanced its already highly-diversified traffic. Today more than ever, Montréal, Canada's Number One Container Port, is a multifunctional port with an international stature.

In carving an enviable position for itself in the containerized cargo market over the past 20 years, the Port of Montréal also succeeded in greatly increasing its general cargo traffic, the category that creates the most jobs and generates the most economic benefits. In 1986, this traffic surpassed the six-million tonne mark for the first time. That peak would have been almost impossible to attain had the Port of Montréal not made a timely and resolute commitment to the path of containerization, of progress and the future.

Summary of Port Activity

Our containerized traffic greatly contributed to making 1986 a good year, as the highlights of port activity indicate:

- A fourth consecutive record year in containerized traffic, which increased 11.7 percent to 4.9 million tonnes from 4.4 million tonnes in 1985;
- Handling a record amount of more than 500,000 containers (TEUs) in a single year. The number of containers handled in 1986 climbed to an unprecedented 531,525 compared to 481,525 in 1985, an increase of 50,000;
- Handling over four million containers or TEUs (4,236,187 to be exact) since the dawn of containerization in Montréal in 1967;
- Record traffic of 6.1 million tonnes of general cargo, up 11.5 percent from 5.4 million tonnes in 1985;
- An increase of 2.4 percent or 500,000 tonnes in total traffic, which climbed to 21.6 million tonnes despite a slowdown in the grain and petroleum product sectors;
- A 14.7 percent increase in shipments of other solid and liquid bulk, which totalled 5.8 million tonnes compared to 5.1 million tonnes in 1985.

As expected, grain and petroleum products were the only categories to record a decline in traffic due to factors beyond our control.

At four million tonnes, grain shipments were down 12.7 percent from 4.6 million tonnes in 1985. This traffic felt the effects of a second consecutive poor harvest on the Prairies in the summer of 1985 and reflects a definite slump in the world grain market, where supply is largely outstripping demand.

Petroleum products traffic dropped by 4.9 percent from six million tonnes in 1985 to 5.7 million tonnes at the end of last year. For the second year in a row, outbound shipments of domestic crude declined as a result of the termination, in June 1985, of the transport subsidy program for Canadian crude. It should be noted, however, that over the past five years, traffic in refined petroleum products has stabilized at about five million tonnes.

From all indications, in 1986 we had more reasons to feel satisfied than disappointed. On the whole, the results of our port activity are highly encouraging, all the more so for having been achieved amid very fierce competition in both the shipping industry and international trade.

We are especially pleased with the Port of Montréal's outstanding performance in the containerized cargo sector. The fact that in a single year the port managed to handle over 500,000 containers (TEUs), or one eighth of its total container traffic for the past 20 years, is an achievement worth mentioning and one that rather spectacularly illustrates our growth in this sector.

An analysis of cargo movements at the port also brought another very heartening fact to our attention. In effect, our statistics show that international traffic at the port is clearly on the rise. In 1986, it increased 12.2 percent to a record level of 14.5 million tonnes.

This growth in international traffic, like the unprecedented success achieved in the containerized cargo market, attests to the excellent reputation the Port of Montréal enjoys around the world.

Its reputation of being a reliable, efficient and competitive port is the product of many years of effort on the part of everyone involved in port activity, whom we gratefully salute.

Highlights of the Fiscal Year

The Corporation is proud and pleased to submit, for the seventh consecutive year, positive financial results.

A glance at the results for fiscal 1986 shows 56.7 million in revenue from operations, a net income of 13.8 million and capital expenditures of 15.4 million.

Prospects

We feel confident that 1987 will be another good year for the Port of Montréal, which has a promising future because of, among other factors, its unique geographic location on the doorstep of the North American industrial heartland, its intermodal service which is among the most efficient and competitive anywhere, and its enviable position in the containerized cargo market.

We know that port activity can be affected by various factors, primarily of an economic nature, over which we have no control. For example, our grain traffic will continue to feel the effects of a slowdown in the world market for this commodity, where supply is greatly exceeding demand. According to experts, we cannot expect this situation to redress itself until five years from now.

Nonetheless, we believe that the Port of Montréal, on the strength of its highly diversified traffic, can still achieve highly satisfying results despite the slowdowns that can always occur in one sector or another of economic activity. We saw proof of that in 1986.

We remain convinced that the Port of Montréal will be increasingly active and contribute even more to the prosperity of citizens of the region, the province and all of Canada.

However, we have no intention of becoming overconfident; rather we will keep building the Port of Montréal's future with enthusiasm and dedication.

To ensure that future, in the short and medium-term, we will have to carry out major improvement and expansion projects on our facilities. We expect that this work will require capital expenditures in the order of $140 million between now and 1991.

Thus we expect to invest about $75 million in enlarging and upgrading our container terminals and another $25 million in improving our railway system and building shunting and loading tracks.

Improving and modernizing our grain elevators, vital if we are to maintain our share of the market, will require investments in the order of $25 million. Lastly, we also plan to invest some $15 million in other infrastructure.

In concluding, we must underscore the dedication and competence of the men and women who have made a major contribution to the Port of Montréal's success. We wholeheartedly thank our employees and all members of the port community. We are proud that each and every one of them is determined to ensure the Port of Montréal's success.

Ronald Corey

Chairman of the Board

Dominic J. Taddeo

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the statements of income, contributions to Canada, deficit and changes in financial position of the Montréal Port Corporation for the fiscal year ended December 31, 1986 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1986 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act, the Letters Patent and by-laws of the Corporation.

Samson Bélair

Chartered Accountants

Montréal, Quebec
February 9, 1987

Balance Sheet as at December 31

(in thousands of dollars)

Assets	**1986**	1985
Current		
Cash	**$ 567**	$ 298
Investments (note 3)	**27,280**	79,594
Accounts receivable	**13,206**	10,003
Materials and supplies	**832**	774
	41,885	90,669
Long-term		
Investments (note 3)	**39,218**	39,041
Receivables	**459**	552
	39,677	39,593
Fixed assets (note 4)	**130,682**	123,433
	$212,244	$253,695

Liabilities	**1986**	1985
Current		
Accounts payable and accrued liabilities (note 5)	**$ 8,590**	$ 9,022
Dividends payable	**4,136**	—
Grants in lieu of municipal taxes	**3,315**	2,851
	16,041	11,873
Long-term		
Accrued employee benefits	**5,283**	5,207
Loans from Canada (note 6)	**238,508**	238,869
	243,791	244,076

Equity of Canada	**1986**	1985
Contributed capital	**19,243**	19,243
Contributions to Canada (note 10)	**(59,119)**	—
Deficit	**(7,712)**	(21,497)
	(47,588)	(2,254)
	$212,244	$253,695

On behalf of the Board:

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

Statement of Income

for the year ended December 31 (in thousands of dollars)	1986	1985
Revenue from operations	**$56,659**	$54,729
Operating and administrative expenses	**39,690**	37,345
Depreciation	**7,254**	6,711
Grants in lieu of municipal taxes	**3,873**	3,914
	50,817	47,970
Net income from operations	**5,842**	6,759
Investment income	**8,446**	12,006
Interest expense	**(503)**	(523)
	7,943	11,483
Net income before unusual item	**13,785**	18,242
Adjustment of grants in lieu of municipal taxes	**—**	1,612
Net income for the year	**$13,785**	$19,854

Statement of Contributions to Canada

for the year ended December 31 (in thousands of dollars)	1986	1985
Special contributions for the year	**$54,983**	$ —
Dividends on net income for the year	**4,136**	—
Balance at end	**$59,119**	$ —

Statement of Deficit

for the year ended December 31 (in thousands of dollars)	1986	1985
Balance at beginning	**$21,497**	$41,351
Net income for the year	**13,785**	19,854
Balance at end	**$ 7,712**	$21,497

Statement of Changes in Financial Position

for the year ended December 31 (in thousands of dollars)	1986	1985
Cash provided by (used for) the following activities:		
Operations		
Net income for the year	**$13,785**	$19,854
Items not affecting cash		
Depreciation	**7,254**	6,711
Others	**871**	(63)
	21,910	26,502
Changes in non-cash operating working capital balances	**(3,175)**	(3,495)
	18,735	23,007
Financing		
Repayment of loans from Canada	**(339)**	(319)
Contributions to Canada	**(54,983)**	—
	(55,322)	(319)
Investments		
Acquisition of long-term investments	**(177)**	(57)
Receipt of long-term receivables	**93**	26
Acquisition of fixed assets	**(15,374)**	(10,525)
	(15,458)	(10,556)
Cash*		
Increase (decrease) during the year	**(52,045)**	12,132
Balance at beginning	**79,892**	67,760
Balance at end	**$27,847**	$79,892

* Cash comprises cash and current investments

Notes to Financial Statements

for the year ended December 31, 1986

1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

2. Significant Accounting Policies

a) Fixed Assets and Depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Grants in Lieu of Municipal Taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

d) Employee Benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31, 1986, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is $46,246,000 ($43,881,239 in 1985).

4. Fixed Assets

(in thousands of dollars)

				1986	1985
	Depreciation Rates	**Cost**	**Accumulated Depreciation**	**Net value**	Net value
Land	—	**$ 19,058**	**$ —**	**$ 19,058**	$ 18,060
Dredging	**2.5%**	**15,633**	**11,810**	**3,823**	3,787
Berthing structures	**2.5%**	**58,521**	**36,559**	**21,962**	22,887
Buildings	**2.5%-10%**	**60,504**	**27,677**	**32,827**	33,418
Utilities	**3.3%-10%**	**13,698**	**6,172**	**7,526**	6,781
Roads and surfaces	**2.5%-10%**	**30,681**	**10,306**	**20,375**	18,694
Machinery and equipment	**5%-20%**	**41,739**	**28,212**	**13,527**	14,625
Office furniture and equipment	**20%**	**1,405**	**838**	**567**	248
		241,239	**121,574**	**119,665**	118,500
Projects under construction		**11,017**	—	**11,017**	4,933
		$252,256	**$121,574**	**$130,682**	$123,433

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of $652,589 ($792,840 in 1985) and for the current portion of long-term liabilities of $360,576 ($339,365 in 1985).

6. Loans from Canada

(in thousands of dollars)

	1986	1985
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000	**$ 7,712**	$ 8,051
Less: Current portion	**361**	339
	7,351	7,712
Non-interest bearing loans with indefinite due date	**132,995**	132,995
Accrued interest on loans not due nor payable	**98,162**	98,162
	$238,508	$238,869

Principal repayment requirements over the next five years amount to:

1987	$360,576
1988	$383,112
1989	$407,056
1990	$432,497
1991	$459,528

7. Contingencies

Claims aggregating approximately $5,948,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

8. Capital Expenditure Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $4,008,000.

9. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown Corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

10. Contributions to Canada

Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, the Ports Canada network which consists of the Canada Ports Corporation and the six local port corporations, was requested to contribute $133,000,000.

The Montréal Port Corporation's portion amounts to $54,983,000 and it has been charged to the "Contributions to Canada" item.

In accordance with a decision by the Government of Canada, the Corporation is required to issue a dividend, in respect of the 1986 financial year, set at 30% of net income before extraordinary items and payable before March 31, 1987. This dividend amounted to $4,136,000 in 1986 and has been charged to the "Contributions to Canada" item.

Board of Directors

Ronald Corey *
Chairman
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

Bernard J. Finestone *
Vice-Chairman
President
Abbey-Finestone Inc.
Westmount, Que.

Rosaire Archambault
President
Archambault Musique Inc.
Montréal, Que.

Roger Bishop
Member, Local 375
International Longshoremen's Association
Brossard, Que.

Raphael Esposito
Esposito, Cocciardi, St-Onge & Beaulieu
Montréal, Que.

André Gingras
President
André Gingras & Associés Inc.
Westmount, Que.

Arnold E. Masters *
President
Maritime Employers Association
Montréal, Que.

* Members of the Executive Committee

Officers of the Corporation

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

Yvan Simard
Deputy General Manager

Jean-Pierre Desjardins
Director of Planning and Development

Roger Dubé
Director of Finance and Administration

Captain Dea Hassib
Director of Operations

Jean Mongeau
Corporate Secretary

Frank Vannelli
Director of Marketing

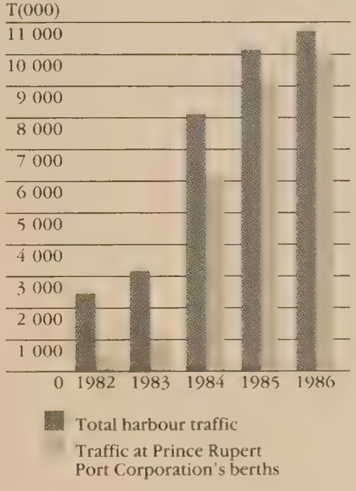
René Laporte
Acting Director of Human Resources

Roland Miljour
Acting Director of Police and Security

Prince Rupert Port Corporation

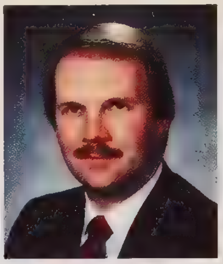
Performance Highlights

- Total operating revenues increase by 6% and exceed $11 million for the first time — up to $11.3 million from $10.6 million.
- Total foreign tonnage surpasses 10 million tonnes for the first time — up to 10.3 million from 9.7 million, an increase of 6%.
- With an 11% increase, net income/cash flow reaches a new high of $2.6 million and $3.7 million respectively.
- New grain terminal operational for first full calendar year, shipping a total of 1.9 million tonnes in the year, a new port record for grain.
- Lumber traffic rises by 14% to 566,000 tonnes or 416 million FBM.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Allan T. Sheppard



Robert W. Tytaneck

In 1986, the Port of Prince Rupert set a new level of achievement with the shipment of 10.7 million tonnes of cargo, a 6 percent increase over 1985.

In its first full calendar year of operation, the Prince Rupert Grain Terminal at Ridley Island handled 1.9 million tonnes of grain, a new port record. Numerous operational accomplishments were set which clearly indicate the true potential of that elevator, as company employees continue to set west coast records for both railcar unloading and shiploading.

While coal exports were down moderately in 1986, they still accounted for more than 50 percent of the Corporation's total throughput. Reflecting soft international markets, Ridley Terminals Inc. handled 6.7 million tonnes, down from 7.2 million tonnes in 1985.

It is particularly satisfying to report that for the fifth consecutive year, a new record was established for lumber shipments. Lumber exports over Fairview Terminal jumped to 565,888 tonnes (416 million FBM) from 496,823 tonnes in 1985. This performance was attained despite a province-wide labour dispute within the forest industry.

Other commodities handled at Fairview Terminal included specialty grains, up 15 percent over 1985 levels to 145,617 tonnes and mineral concentrates, up 7 percent to 43,934 tonnes.

The export of raw logs increased 46 percent in 1986, up to 638,617 tonnes from 436,960 tonnes in 1985.

Traffic growth is clearly reflected in the Corporation's favourable financial position. Operating revenues set a new high of $11.3 million as compared to $10.6 million in 1985. The 1986 net income rose to $2.6 million, an increase of 18 percent over 1985. The increasing financial resources of the Corporation help to ensure that the physical facilities needed by our customers will be available on a timely basis.

The traffic and financial results are particularly gratifying as they have occurred at a time when international markets for many of Canada's exports remain mixed. It reinforces the original vision for Prince Rupert as a full scale Pacific gateway for world-wide distribution of Canadian cargo, a gateway that assures Canadian shippers an efficient and effective access to highly competitive international markets.

While 1986 performance was reassuring, the port looks forward with optimism and enthusiasm to the challenge of the future. With major grain and coal installations in place, particular focus is being given to servicing the needs of the forest products sector. This industry, which is crucial to the local, regional, and provincial economies, is undergoing a program of sawmill modernization and new construction in northwest British Columbia that is oriented to the offshore export market. This new capacity is expected to push Fairview Terminal to its operational limits.

In anticipation of the need for additional forest product facilities, Fairview Terminal has been identified as the optimum site for port expansion based on the lowest capital cost and highest throughput capacity. An engineering study recommended a 4-hectare expansion with a 175-metre berth extension that will also provide a further 2.3 hectares of unserviced storage area adjacent to the existing terminal. This area could be extremely useful for future growth in lumber and other traffic. The cost of the expansion is estimated at $33 million.

During 1987, the Corporation will undertake engineering studies for the expansion of Fairview Terminal. The studies will include the geotechnical, topographical, survey and environmental aspects of development. Considerable attention is also being given to detailed traffic analysis to ensure that port development is consistent with the shippers' needs and that the project is financially viable. The development of additional terminal capacity at Fairview Terminal provides crucial support for the international trade prospects of our customers.

Reflecting the commitment of the Board of Directors to fulfilling their trade objectives, the port undertook several new marketing and business development initiatives in 1986.

During the past year, the port added a Manager of Marketing and Planning. For the first time, the port now has a staff person dedicated to market research, business development and facility planning and utilization.

The port undertook its first overseas marketing trip in 1986. A port delegation met with numerous shippers, shipping companies, and other groups in Korea and Japan. Prince Rupert's strategic proximity to these markets and the production centres of northern Asian ports will play an increasingly important role in strengthening and expanding Canada's trade links with the Pacific Rim. At the same time, we are increasing our commitment to domestic customers to ensure that port services remain accessible and competitive.

A highly successful Trade Enhancement Conference in 1986 attracted over 150 delegates to the port. Distinguished speakers, trade experts, and port customers gathered to review the strengths and opportunities of the Port of Prince Rupert.

At the same time as the Corporation seeks to improve its international reputation, it considers that an important part of its mandate is to work closely with Prince Rupert and neighbouring communities to ensure that port development is responsive to the commercial and recreational needs of the region.

As part of this process, the port is contributing to areas of regional development that can be enhanced or realized through waterfront development. Projects under study or underway include sites for aquaculture, a light industrial marine park, the airport ferry ramp construction, and a waterfront park.

During 1986, a key change in personnel occurred at the port. Mr. Ken Krauter, who was General Manager and Chief Executive Officer for six years, resigned to assume the position of General Manager and Chief Executive Officer at the Saint John Port Corporation. During his tenure, the Prince Rupert Port Corporation experienced a period of strategic development and growth. The Board of Directors would like to thank Mr. Krauter for his dedication and commitment. At the same time, the Board of Directors was pleased to announce the appointment of Mr. R. W. Tytaneck as General Manager and Chief Executive Officer. Mr. Tytaneck brings numerous years of experience in the maritime industry with Crown Corporations.

In conclusion, the Port of Prince Rupert is well positioned to both service existing customers and encourage new traffic. A strong export base, an aggressive and enthusiastic marketing orientation, terminal expansion, and a desire to provide a highly competitive service, will bring benefits to all Canadians and will enhance the ability of importers and exporters to reach their markets.

We would like to express our warmest appreciation and thanks to the port staff, the marine community, and our customers whose commitment, dedication, and teamwork made 1986 a successful year. We look forward to an exciting and prosperous future.

A. Sheppard

Chairman of the Board

R. W. Tytaneck

General Manager and Chief Executive Officer

Auditors' Report

The Honourable John C. Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and Regulations, the Canada Ports Corporation Act, and the Letters Patent and By-laws of the Corporation.

Thorne Ernst & Whinney

Chartered Accountants

Vancouver, Canada
February 5, 1987

Balance Sheet as at December 31, 1986

Assets	**1986**	1985
Current Assets		
Cash	**$ 63,752**	$ 87,341
Investments (note 1)	**7,879,580**	7,202,309
Accounts receivable	**566,284**	630,199
Due from Canada	**63,937**	—
Materials and supplies	**79,928**	88,092
	8,653,481	8,007,941
Property, Plant and Equipment (note 2)	**72,024,049**	73,214,955
	$80,677,530	$81,222,896

Liabilities and Deficit of Canada		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 177,763**	$ 382,346
Payable to Canada	—	249,190
Grants in lieu of municipal taxes	**351,711**	495,821
Deferred revenues	**186,251**	229,263
	715,725	1,356,620
Long-Term Debt		
Loans from Canada (note 3)	**38,110,991**	38,110,991
Recoverable contribution from Canada (note 4)	**48,300,000**	49,511,864
	86,410,991	87,622,855
	87,126,716	88,979,475
Deficit of Canada		
Contributed capital (note 5)	**678,275**	678,275
Contribution to Canada (note 5)	**(1,289,136)**	—
Deficit	**(5,838,325)**	(8,434,854)
	(6,449,186)	(7,756,579)
	$80,677,530	$81,222,896

Approved by the Board:

A. Sheppard

Allan T. Sheppard
Chairman

R.W. Tytaneck

Robert W. Tytaneck
General Manager and Chief Executive Officer

Statement of Income and Deficit

for the year ended December 31, 1986	1986	1985
Revenue from operations	**$11,314,851**	$10,622,368
Expenses		
Operating and administrative	**7,845,088**	7,771,561
Depreciation (note 2)	**1,244,666**	918,496
Grants in lieu of municipal taxes	**335,353**	27,661
	9,425,107	8,717,718
Income from operations	**1,889,744**	1,904,650
Interest income	**591,603**	655,246
Gain (loss) on disposal of property, plant and equipment	**115,182**	(359,024)
Net income	**2,596,529**	2,200,872
Deficit at beginning of year	**8,434,854**	10,635,726
Deficit at end of year	**$ 5,838,325**	$ 8,434,854

Statement of Changes in Financial Position

for the year ended December 31, 1986	1986	1985
Cash provided by (used for):		
Operations		
Net income	**$2,596,529**	$2,200,872
Items not involving cash		
Depreciation	**1,244,666**	918,496
(Gain) loss on sale of property, plant and equipment	**(115,182)**	359,024
	3,726,013	3,478,392
Changes in non-cash components of working capital		
Accounts receivable	**63,915**	(18,884)
Materials and supplies	**8,164**	(14,622)
Accounts payable and accrued liabilities	**(204,583)**	(234,269)
Grants in lieu of municipal taxes	**(144,110)**	(468,001)
Deferred revenues	**(43,012)**	(114,678)
	3,406,387	2,627,938
Financing activities		
Increase (decrease) in payable to Canada	**(249,190)**	249,190
Contribution to Canada	**(1,289,136)**	—
Increase in receivable from Canada	**(63,937)**	—
Recoverable contribution from Canada	**(1,211,864)**	(64)
	(2,814,127)	249,126
Investment activities		
Proceeds from sale of property, plant and equipment	**119,300**	232
Purchase of property, plant and equipment (net of capital grants)	**(57,878)**	(1,573,365)
Decrease in receivable from Canada	—	82,839
	61,422	(1,490,294)
Increase in cash position	**653,682**	1,386,770
Cash position at beginning of year	**7,289,650**	5,902,880
Cash position at end of year	**$7,943,332**	$7,289,650

(Cash position is defined to include cash plus investments)

Notes to Financial Statements

for the year ended December 31, 1986

Local Port Corporation
The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of the Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by the Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

Summary of Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Property, Plant and Equipment
Property, plant and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property, plant and equipment.

Depreciation is calculated on the straight-line basis using rates based on the estimated useful lives of the assets.

c) Pension Costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Grants in Lieu of Municipal Taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee Benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

1. Investments

	1986	1985
Amortized cost	**$7,879,580**	$7,202,309
Market value	**$7,855,119**	$7,188,651

2. Property, Plant and Equipment
a) Summary

	1986				1985
	Depreciation Rates %	**Cost**	**Accumulated Depreciation**	**Net**	Net
Land	**—**	**$60,126,625**	**—**	**$60,126,625**	$60,159,561
Dredging	**2.5-6.7**	**5,177**	**$ 1,165**	**4,012**	4,141
Berthing structures	**2.5-10**	**8,693,098**	**2,536,244**	**6,156,854**	6,395,465
Buildings	**2.5-10**	**2,351,656**	**334,209**	**2,017,447**	2,085,123
Utilities	**3.3-10**	**2,597,236**	**1,079,916**	**1,517,320**	1,643,819
Roads and surfaces	**2.5-10**	**3,512,387**	**1,640,261**	**1,872,126**	2,240,684
Machinery and equipment	**5-10**	**1,697,883**	**1,427,298**	**270,585**	627,103
Office furniture and equipment	**20**	**150,041**	**90,961**	**59,080**	59,059
		$79,134,103	**$7,110,054**	**$72,024,049**	$73,214,955

b) Depreciation
Depreciation consists of:

	1986	1985
Depreciation expense	**$ 926,760**	$918,496
Writedown of equipment	**317,906**	—
	$1,244,666	$918,496

3. Loans from Canada

	1986	1985
Non-interest bearing loans with indefinite due date	**$27,084,979**	$27,084,979
Accrued interest on loans not due and payable	**11,026,012**	11,026,012
	$38,110,991	$38,110,991

4. Recoverable Contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1986 was $48,300,000.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge.

5. Contribution to Canada

Canada requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada System made up of the Canada Ports Corporation and the six local port corporations.

The Corporation's share was in the amount of $2,501,000. A sum of $1,211,864 has been applied against Recoverable Contribution from Canada as authorized by the Minister of Transport. The balance of $1,289,136 has been treated as a Contribution to Canada.

6. Related Party Transactions

a) During the year ended December 31, 1986, the Corporation received revenue of $1,169,454 (year ended December 31, 1985, $1,250,370) from Ridley Terminals Inc., a company in which the Canada Ports Corporation has a significant investment.
b) During the year the Corporation paid $436,093 (year ended December 31, 1985, $521,297) to Canada Ports Corporation as its share of that corporation's head office expense.

Board of Directors

Allan T. Sheppard*
Chairman
Owner/Manager
Port Edward Marine Services
Prince Rupert, B. C.

William B. Hick*
Vice-Chairman
Retired Medical Doctor
Prince Rupert, B. C.

John T. Payne*/**
General Manager
Universal Stores Inc.
Prince Rupert, B. C.

John D. McNish**
Manager
Credit Bureau of Prince Rupert
Prince Rupert, B. C.

Dolores D. MacIntosh
Property Manager
Prince Rupert, B. C.

Donald Seidel
Manager
Prince Rupert Motors Ltd.
Prince Rupert, B. C.

* Executive Committee
** Audit Committee

Officers of the Corporation

Allan T. Sheppard
Chairman

Robert W. Tytaneck
General Manager and Chief Executive Officer

R. Adam McBride
Manager, Finance and Administration

Joseph A. Stranan
Manager, Marketing and Planning

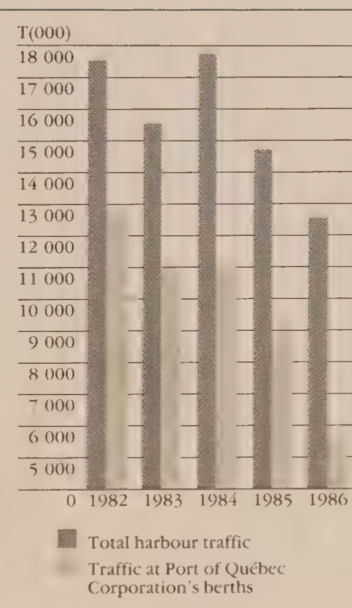
Brian L. Denton
Manager, Engineering and Maintenance

Captain Michael Gray
Manager, Operations/Harbour Master

Port of Québec Corporation

Performance Highlights

- Former Minister of Transport, the Honourable Don Mazankowski, presided at the inauguration of an 11,200 square metre general cargo shed.
- The Port of Québec signed a declaration of cooperation with the French ports of Le Havre, Rouen, and Honfleur; it was the first port in eastern Canada to sign such an agreement.
- Intertank Inc. invested $1 million to improve rail access to its liquid bulk terminal.
- Ultramar of Canada increased activity at the pier serving its refinery in St. Romuald.
- A record number of 70 cruise ships called at the port.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Ross Gaudreault


Jean-Michel Tessier

Quebec has been a city with a maritime vocation since the beginning of European colonization in the 17th century. The fur, lumber and ship building trades are all reminders of the Port of Québec's historic role in the economic growth of the region and the country as a whole.

The Board of Directors and management of the Port of Québec Corporation are proud to continue this tradition by developing a port of international stature, capable of receiving LR2 oil tankers, fourth-generation container vessels and most of the world's large bulk carriers.

The Port of Québec offers considerable advantages to shippers of bulk products; it is a focal point, providing access to or from the major industrial and agricultural regions in North America via the Great Lakes/St. Lawrence Seaway. Deepwater, year-round navigation, and the presence of intermodal transportation all increase the port's efficiency.

The port administration firmly believes that a dynamic international marketing strategy is the key to future growth in trade. For this reason, the Port of Québec signed a declaration of cooperation in 1986 with the French ports of Le Havre, Rouen and Honfleur. This agreement, a first among ports in eastern Canada, will encourage new trade and the exchange of technical information between the participants. The ports of the Lower Seine serve one of the most heavily populated, industrialized regions of Europe, handling approximately 75 million tonnes of cargo annually.

Traffic Review

No review of 1986 can be made without mentioning the new collective agreement between the Maritime Employers Association and the International Longshoremen's Association, signed February 4, 1987, ending a long work stoppage caused by the breakdown in negotiations between employer and union on September 16, 1986.

In effect until December 31, 1988, the agreement ensures the port's clients and users of competitive labour costs and more flexible loading and unloading operations, in addition to a stable work environment.

The 1986 results for the Port of Québec reveal the full impact of the lock-out, which distorted year-end statistics; until the lock-out began, an upturn in the volume of several commodities, including grain, would have enabled the port to surpass overall tonnage handled in 1985.

The labour dispute caused a major decline in port traffic in the final quarter of 1986. A total of 12,527,000 tonnes of cargo were handled at the Port of Québec in 1986, down 15 percent from 14,713,000 tonnes in 1985.

Most major sectors of activity were affected by the work stoppage. The volume of grain handled for the year was 3,101,000 tonnes, a 39 percent drop from the 5,103,000 tonnes in 1985. Transshipment of mineral concentrates fell from 2,561,000 tonnes in 1985 to 1,491,000 tonnes in 1986. Pulpwood was a bright spot in the dry bulk category, as Reed Paper Co. received 540,000 tonnes of logs by waterborne transportation in 1986, compared to 348,000 tonnes in 1985.

A 14 percent increase in the volume of petrochemical products also enabled the port to offset the general decline in traffic. This type of cargo amounted to 7,033,000 tonnes in 1986, up from 6,177,000 tonnes in 1985. Ultramar of Canada intensified activity at the pier serving its refinery in St. Romuald, a suburb of Québec City, following the acquisition of Gulf Canada and its network of service stations in eastern Canada.

Also in the liquid bulk category, Intertank Inc. invested one million dollars in improving rail access to its Beauport terminal. This company specializes in the handling of a wide range of chemicals and vegetable oils, and is now able to receive a 56-car unit train entirely on its own tracks, thus protecting its operations from the physical restrictions of the main railway network.

The labour conflict had a negative effect on general cargo, including dairy products and lumber. A total of 206,000 tonnes of general cargo were handled in 1986, down from 351,000 tonnes in 1985. Note that the Department of National Defence selected the Port of Québec to handle the shipment of over 2,100 pieces of military equipment to Norway, as part of the largest deployment of Canadian troops since World War II.

Financial Highlights

Financial results for the Port of Québec Corporation in 1986 show operating revenues of $7,963,000, total net income of $14,000 and capital expenditures of $2,178,000. Although port activities came to a virtual halt for 107 days in 1986, the Port of Québec succeeded in showing a profit thanks to sound financial management, which included reduction of permanent staff, temporary lay-offs during the lock-out and the general rationalization of expenditures.

The signing of collective agreements with office employees of the Public Service Alliance of Canada and police officers in the Canadian Union of Public Employees will help stabilize the Port of Québec's labour costs; these agreements will remain in effect until 1988.

In 1986, the port also completed a two-year, $4.2 million investment project for the construction of an 11,200 square metre shed. The facility, which was inaugurated on February 14, 1986 by the Honourable Don Mazankowski, then Minister of Transport, represents the first phase in the development of a new multi-user cargo terminal. The new shed enables the Port of Québec to better serve shippers of general cargo.

Traffic Outlook

Under the direction of a new Board of Directors who completed the first full year of their mandate in 1986, the Port of Québec has given priority to its marketing program. This approach will continue and undoubtedly be a key factor in the recovery that follows the longshoremen's return to work.

In spite of the difficult experience of 1986, we are cautiously optimistic about prospects for 1987. In addition to the natural advantages of a deepwater harbour and geographic location, the Port of Québec offers excellent equipment and facilities which will contribute to confirming its lead in the handling of bulk and general cargo.

Full recovery is our objective at the Port of Québec in 1987. The Board of Directors and management of the Port of Québec wish to assure all the port's clients and users of their complete cooperation in developing the full potential of a great port centre, which occupies an important place in Canada's history and will continue to contribute to the growth of our country's international trade.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have been in all significant respects in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act and by-laws of the Corporation.

Thorne Riddell

Chartered Accountants

Québec, Quebec
January 30, 1987

Balance Sheet as at December 31, 1986

Assets	1986	1985
Current Assets		
Cash	**$ 297,030**	$ 275,356
Investments (note 1)	**12,160,125**	33,109,060
Accounts receivable	**1,760,930**	3,256,021
Materials and supplies	**68,781**	60,373
	14,286,866	36,700,810
Investments (note 1)	**6,623,856**	6,597,511
Fixed Assets (note 2)	**44,951,490**	44,692,982
	$65,862,212	$87,991,303

Liabilities and Equity of Canada	1986	1985
Current Liabilities		
Accounts payable and accrued liabilities	**$ 2,050,841**	$ 2,486,742
Grants in lieu of municipal taxes	**654,808**	502,000
Deferred revenues	**659,865**	731,068
	3,365,514	3,719,810
Long Term		
Accrued employee benefits	**737,500**	791,000
Equity of Canada		
Contributed capital	**107,251,631**	107,251,631
Contribution to Canada (note 3)	**(21,735,000)**	—
Deficit	**(23,757,433)**	(23,771,138)
	61,759,198	83,480,493
	$65,862,212	$87,991,303

On behalf of the Board:

Ross Gaudreault
Chairman

Jean-Michel Tessier
General Manager and Chief Executive Officer

Statement of Income and Deficit

for the year ended December 31, 1986	1986	1985
Revenue from operations	**$ 7,962,545**	$ 9,405,701
Expenses		
Operating and administrative expenses	**7,429,521**	7,112,126
Depreciation	**1,912,453**	1,721,120
Grants in lieu of municipal taxes	**1,024,639**	1,016,136
	10,366,613	9,849,382
Loss from operations	**(2,404,068)**	(443,681)
Investment income	**2,417,773**	4,250,641
Net income	**13,705**	3,806,960
Deficit at beginning of year	**23,771,138**	27,578,098
Deficit at end of year	**$23,757,433**	$23,771,138

Statement of Changes in Financial Position

for the year ended December 31, 1986	1986	1985
Cash provided by (used for)		
Operations		
Net income	**$ 13,705**	$ 3,806,960
Items not affecting cash		
Amortization of discount on Canada Government bonds	**(26,345)**	(26,345)
Depreciation	**1,912,453**	1,721,120
Gain on disposal of fixed assets	**(105,184)**	(46,947)
Accrued employee benefits	**(53,500)**	51,300
Changes in non-cash components of working capital	**1,132,387**	2,719,934
	2,873,516	8,226,022
Investment		
Additions to fixed assets	**(2,178,038)**	(5,384,700)
Proceeds on disposal of fixed assets	**112,261**	49,234
	(2,065,777)	(5,335,466)
Other		
Contribution to Canada	**(21,735,000)**	—
Increase (decrease) in cash position	**(20,927,261)**	2,890,556
Cash position at beginning of year	**33,384,416**	30,493,860
Cash position at end of year	**$12,457,155**	$33,384,416
Represented by:		
Cash	**$ 297,030**	$ 275,356
Investments	**12,160,125**	33,109,060
	$12,457,155	$33,384,416

Notes to Financial Statements

for the year ended December 31, 1986

General
The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the Canada Ports Corporation Act.

Summary of Significant Accounting Policies

a) Investments
Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated using the straight line method, once the asset becomes operational for an entire year, using the following annual rates:

Dredging	2.5%-6.7%
Berthing structures	2.5%-10%
Buildings	2.5%-10%
Utilities	3.3%-10%
Roads and surfaces	2.5%-10%
Machinery and equipment	5%-100%
Office furniture and equipment	20%

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these claims are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
Every year the Corporation accounts for estimated liabilities relating to severance pay, annual leave, sick leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

1. Investments
Investments, which are direct securities guaranteed by Canada, are as follow:

	1986		1985	
	Cost	**Market Value**	Cost	Market Value
Current	**$12,160,125**	**$12,166,576**	$33,109,060	$33,101,895
Long term	**$ 6,623,856**	**$ 7,860,139**	$ 6,597,511	$ 7,387,483

2. Fixed Assets

	1986			1985
	Cost	**Accumulated depreciation**	**Net**	Net
Land	**$11,043,597**	**$ —**	**$11,043,597**	$11,043,597
Dredging	**4,561,341**	**3,895,186**	**666,155**	694,216
Berthing structures	**22,636,930**	**15,867,910**	**6,769,020**	6,704,977
Buildings	**33,600,707**	**12,836,618**	**20,764,089**	16,570,175
Utilities	**3,427,705**	**1,876,360**	**1,551,345**	1,649,523
Roads and surfaces	**5,848,340**	**2,833,369**	**3,014,971**	3,373,861
Machinery and equipment	**499,355**	**384,448**	**114,907**	138,802
Office furniture and equipment	**443,006**	**232,517**	**210,489**	168,750
Projects under construction	**816,917**	**—**	**816,917**	4,349,081
	$82,877,898	**$37,926,408**	**$44,951,490**	$44,692,982

As at December 31, 1986, contractual obligations for the completion, construction and purchase of fixed assets are estimated at $39,000, most of which will be expended in the year ending December 31, 1987.

3. Contribution to Canada
The Government of Canada has requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, there was a request for a contribution of $133,000,000 from Canada Ports Corporation and the six local port corporations.

The Corporation's share amounted to $21,735,000 and has been recorded as contribution to Canada in the equity of Canada.

4. Contingencies
Claims aggregating approximately $2,660,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. These amounts are not recorded in the financial statements. In the Corporation's view, its position is defensible and these claims should not result in any material financial liability.

5. Operations
The operations of the Corporation have been reduced due to a lock-out by the Association des Employeurs Maritimes on September 15, 1986. Operations resumed on February 6, 1987.

Board of Directors

Ross Gaudreault *
Chairman
General Manager
Irving Oil Limited
Province of Quebec
Sillery, Que.

The Honourable Jean Marchand *
Vice-Chairman
Québec, Que.

Denise Rancourt-Bélanger
Lawyer
Lévis, Que.

Yvon Dolbec
President
Y. Dolbec Logistique International Inc.
Sainte-Foy, Que.

Claude Gagné
Sales Representative
Toshiba of Canada Ltd.
Vanier, Que.

Raymond Stuart McBain*
President
Ver-Mac Inc.
Sainte-Foy, Que.

Roméo Savard
Foreman
International Longshoremen's Association
Québec, Que.

Officers of the Corporation

Ross Gaudreault
Chairman

Jean-Michel Tessier *
General Manager and Chief Executive Officer

Gary Q. Ouellet
Corporate Secretary

Louis-Philippe Cormier
Executive Assistant and Associate Corporate Secretary

Gérard Laroche
Director, Commercial Affairs and Marketing

Yvon Bureau
Director, Administration and Human Resources

Lauréat Mercier
Controller of the Corporation

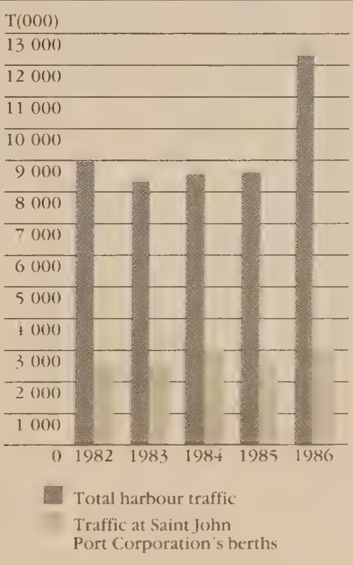
Serge Tremblay
Director, Port Services

* Member, Executive Committee

Saint John Port Corporation

Performance Highlights

- LPC status granted effective December 31, 1986.
- Potash tonnage shipped through port increases 260% to 1 million tonnes.
- Province of New Brunswick announced $380,000 support for port promotion.
- Total harbour tonnage jumps 42% to 12.3 million tonnes.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Harry P. Gaunce


Kenneth R. Krauter

The history of the Port of Saint John has been one of struggle and achievement for over two hundred years. Its safe harbour and access to the interior via the extensive St. John River system have provided for its rise from a small trading post in the wilderness to a major seaport. The people of this port city, early Acadians, founding Loyalists and Irish immigrants, have worked with pride and perseverance to build a prominent port. Early trade flourished and Saint John prospered as a ship building community in the mid-19th century. Set backs such as the Great Fire of 1877 were overcome and great days of sail gave way to the advent of steam powered ships and inland railways. Factories, foundries and refineries diversified economic activity in the city, and through the twentieth century, the port experienced growth and development through the construction of new facilities and expanding trade. Today, the port handles all types of cargo including bulk, break-bulk and container traffic. Throughout its history, the people of Saint John have worked courageously to develop a major port on the Bay of Fundy, and the ambitions of her founders are alive in the people today.

The year 1986 was marked by a number of important developments for the port. The most significant event was the creation of the Saint John Port Corporation; the new Corporation came into effect at the close of business on December 31, 1986. With the achievement of local port corporation status under the provisions of the Canada Ports Corporation Act, the port will be operated under the direction of a local Board of Directors, and it will have a high degree of autonomy to manage its own affairs. The Port of Saint John now takes its fitting place among the major ports in Canada, and it has been provided with the opportunity to grow and prosper in support of Canada's international trade.

Other events of 1986 are assisting the port in improving its competitive position and in expanding its marketing and promotion efforts. A $3 million dredging program for the main approach channel and Courtenay Bay will significantly improve vessel access by returning the channel to charted depths. Federal and provincial funding in the order of $100,000 for the development of a port marketing plan will provide new strategic direction and identify market opportunities. Up to $380,000 will be made available by the New Brunswick provincial government to the Saint John Port Development Commission to expand port promotion programs.

Significant increases were experienced in overall port traffic in 1986. Total traffic was up 42 percent to 12.3 million tonnes. Petroleum products, principally crude oil imports, accounted for 73 percent of the tonnage with an increase of 50 percent to 9 million tonnes. Shipments through the Barrack Point Potash Terminal reached the 1 million tonne level as a second user began operations. Strong growth occurred in forest products with traffic improving by 18 percent to 750,000 tonnes, principally through increased shipments of woodpulp, lumber, paper and paper board. Grain traffic increased by 50 percent to levels commonly experienced in previous years with the export of 298,000 tonnes through the elevator. Salt, which is mined in association with the potash operations, showed a decline of 10 percent to 203,000 tonnes. Tonnage of other bulk commodities continued at 1985 levels while declines were recorded in general cargo.

Unfortunately, the port experienced a serious decline in its container business in 1986. A number of shipping lines decided to drop Saint John as a port of call due to competitive requirements to adjust their service to international markets. Container traffic dropped by 33 percent to 546,000 tonnes. As several of the lines called at Saint John for a portion of the year, the effect of these changes in service may not be fully felt until 1987. However, the port is actively working at securing other lines to call at Saint John.

Marginal improvement was made in the financial performance of the port. Revenues from operations increased by 2 percent to $11.5 million, and an 8 percent increase was realized in income from operations at $1 million. However, interest expense of $3.3 million on outstanding loans contributed to a net loss of $0.9 million. Restructuring of the port's debt in the latter part of 1986 has improved the overall financial outlook for the port, and retiring the debt load from the future earnings of the Corporation can be achieved with sound financial management.

To maintain the serviceability of port facilities, repair work on the reinforced concrete pilings at the Rodney Container Terminal continued through the year in the amount of $520,000. The overall cost of this repair program which is expected to be completed in 1988 is $4,250,000. Other concrete repair work was undertaken to the facings of a number of berths at a cost of $250,000. In addition, modifications were made to the wharf and bulkhead areas at two berths to accommodate ro-ro vessels.

The New Brunswick Electric Power Commission is currently investigating the feasibility of converting the Coleson Cove Generating Station from residual oil to coal as a generating fuel. Delivery of coal to the plant would be via a new coal import terminal constructed by the port at Musquash Harbour. Design work is nearing completion and the project schedule indicates construction to begin in 1987 if the Commission decides to proceed with the plant conversion. The project offers an opportunity to diversify the traffic base of the port and provide significant benefits to the local economy.

Changes are occurring in the competitive environment in which the port operates. Transportation deregulation and intermodalism as well as changes in world trading patterns will play a part in shaping the future of the Port of Saint John. The challenges of the future require that all sectors of the port community join together in a renewed effort to achieve the prominence and prosperity which was the dream of the founders of this port city.

The achievements of the Port of Saint John are the results of the efforts of many people and organizations. On behalf of the Board of Directors we would like to express our sincere gratitude to all employees of the Corporation for their dedicated service. To our colleagues in the shipping industry, waterfront union leaders and all port users we offer our thanks for their contribution to the accomplishments of the Port of Saint John in 1986.

Harry P. Gaunce

Chairman of the Board

K. R. Krauter

General Manager and Chief Executive Officer

Auditors' Report

To the Board of Directors
Saint John Port Corporation

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1986. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this balance sheet presents fairly the financial position of the Corporation as at December 31, 1986 in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 18, 1987

Balance Sheet as at December 31, 1986

(in thousands of dollars)

Assets	
Current	
Cash	$ 88
Investments (Note 3)	4,845
Accounts receivable	2,070
Materials and supplies	129
	7,132
Long-term investments (Note 3)	949
Fixed assets (Note 4)	84,368
	$92,449
Liabilities	
Current	
Accounts payable and accrued liabilities (Note 5)	$ 1,959
Grants in lieu of municipal taxes	549
	2,508
Long-term	
Accrued employee benefits	483
Financing provided by a province (Note 6)	19,521
Loans from Canada (Note 7)	68,356
	88,360
Equity of Canada	
Contributed capital	79,209
Contribution to Canada (Note 8)	(1,033)
Deficit	(76,595)
	1,581
	$92,449

On behalf of the Board:

Harry P. Gaunce
Harry P. Gaunce
Chairman

K. R. Krauter
Kenneth R. Krauter
General Manager and Chief Executive Officer

Notes to Balance Sheet

December 31, 1986

1. Canada Ports Corporation Act

In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was established effective at the closing of business on December 31, 1986.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

2. Significant Accounting Policies

a) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)

	Amortized Cost	Market Value
Current	$4,845	$4,849
Long-term	$ 949	$1,159

4. Fixed Assets

a) Summary

(in thousands of dollars)

	Depreciation Rates (%)	Cost	Accumulated Depreciation	Net
Land	—	$ 30,063	$ —	$30,063
Dredging	2.5-6.7	1,967	1,442	525
Berthing structures	2.5-10	62,918	24,930	37,988
Buildings	2.5-10	15,570	7,204	8,366
Utilities	3.3-10	7,651	2,752	4,899
Roads and surfaces	2.5-10	4,779	3,584	1,195
Machinery and equipment	5-100	1,904	1,567	337
Office furniture and equipment	20	711	396	315
Works under construction	—	680	—	680
		$126,243	$41,875	$84,368

b) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $87,000, of which most will be expended in the year ending December 31, 1987.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following:

	(in thousands of dollars)
Deferred revenues	$217
Current portion of long-term liabilities	$175

6. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1986 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would increase further by an estimated $825,000.

7. Loans from Canada

(in thousands of dollars)

Term loans bearing interest at 11.0% to 15.625% maturing between December 31, 1998 and 2005	$20,565
Non-interest bearing loans with indefinite due date	37,768
Accrued interest on loans not due and payable	10,023
	$68,356

8. Contribution to Canada

Canada requested from various Crown Corporations a portion of cash identified as surplus to their requirements. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the seven Local Port Corporations.

The contribution of the Corporation amounted to $1,033,000 and has been treated as a Contribution to Canada.

Board of Directors

Harry P. Gaunce
Chairman
Vice-President
Armstrong & Bruce Insurance
Saint John, N. B.

Henry Meinhardt
Vice-Chairman
President
Fundy Ventilation Limited
Saint John, N. B.

Fernand H. Lanteigne
Owner/General Manager
Les Chantiers Nord-Est Ltée
Société du câble de la Péninsule
Caraquet, N.B.

Edgar R. Cohen
Owner
Hoffman's Limited
Saint John, N. B.

David R. MacPherson
President and Business Manager
IBEW, Local 502
Saint John, N. B.

Joseph V. Streeter
Investment Dealer
Dominion Securities Inc.
Saint John, N. B.

Shirley A. McAlary
Agent
Air Canada
Saint John, N. B.

Officers of the Corporation

Harry P. Gaunce
Chairman

Kenneth R. Krauter
General Manager and Chief Executive Officer

Captain Cy E. Pringle
Director of Operations and Harbour Master
Acting Director of Finance and Administration

Garnet A. Phinney
Director of Engineering and Maintenance

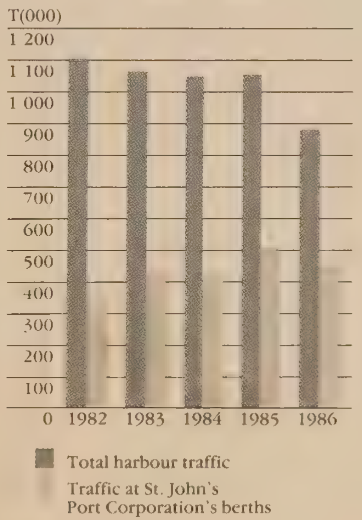
Emlen G. Hare
Director of Marketing

Robert T. Colpitts
Manager, Corporate Communications

St. John's Port Corporation

Performance Highlights

- 1,103 vessels with a total gross registered tonnage of 2.8 million called at the port in 1986.
- St. John's Port Corporation facilities handled 436,011 tonnes of cargo.
- Containerized tonnage at St. John's Port Corporation facilities was 251,381 tonnes, a total of 47,538 TEUs.
- Main Terminal Redevelopment, Phase I, was completed; expenditure to date: $3.3 million.
- Lease agreement signed between St. John's Port Corporation and Newterm Limited for 6 hectare container handling facility.



Message from the Chairman of the Board and the General Manager and Chief Executive Officer


Fred Milley


David J. Fox

Activity in the Port of St. John's showed a substantial decrease during the 1986 operating year. This decline had a negative impact on the overall general economy of St. John's and the eastern region of Newfoundland. The decrease was the result of reduced offshore oil exploration activity and the closing of the eastern Canadian ports to some members of the international fishing community; namely, the Spanish and Portuguese fishing fleets.

Operating revenues were down from \$2.43 million in 1985 to \$2.38 million in 1986; while net income was \$508,000 compared to \$1.2 million in 1985. Total port cargo tonnage was 172,000 tonnes below the 1 million tonnage mark for the first time in over seven years. Commercial vessel traffic entering the port was down by some 28 percent at 1,103 vessel arrivals in 1986. Offshore oil vessel activity decreased from 629 arrivals in 1985 to 324 arrivals in 1986; a decrease of 48.4 percent.

Offshore oil development and activity are not expected to increase in 1987 as no formal agreement has yet been executed between the two levels of government and Mobil Oil Limited. Indications are that due to the world economy, in particular, and the international oil industry in general, actual development and operational activities of Hibernia and other known oil fields in our region will not come on stream until 1993 or later.

On a more positive note, the Corporation was successful in renegotiating a long-term lease agreement with Newterm Limited, the operators of the port's main container, ro-ro, and general cargo terminal. As a result, the Corporation will continue with its Phase II Redevelopment plans for the Main Terminal, having recently awarded a \$4.1 million construction contract for the resurfacing of its 15-acre Main Terminal area facility, including the removal of an existing 30,000 square foot steel fabricated shed. In addition, a second construction contract will be awarded during this development stage to replace the existing 3,000 feet of wharf fendering system around the Main Terminal's berthing facilities. Both major projects should be completed by mid-1988 at a total Phase II Redevelopment cost of about \$7 million.

The port, in 1987, will concentrate on completing these planned redevelopment works as the continued upgrading and operations at our Main Terminal complex are seen to be positive and optimistic steps forward in the overall long-term continuation and development of port facilities for day-to-day customers and users.

The Chairman, Board of Directors, and General Manager take this opportunity to express our sincere gratitude and appreciation to all employees of our Corporation, port companies, agencies, and port users for their collective cooperation in helping to make 1986 as successful a year as possible for the St. John's Port Corporation.

Chairman of the Board

General Manager and Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1986, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and Regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Doane Raymond

Chartered Accountants

St. John's, Newfoundland
January 29, 1987

Balance Sheet as at December 31, 1986

Assets	1986	(Note 10) 1985
Current		
Cash	**$ 25,118**	$ 2,646
Investments (Note 3)	**2,988,103**	5,614,056
Accounts receivable	**295,148**	351,506
	3,308,369	5,968,208
Investments (Note 3)	**949,653**	946,151
Fixed (Note 4)	**10,139,334**	9,940,186
	$14,397,356	$16,854,545

Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 280,031**	$ 1,348,692
Grants in lieu of municipal taxes	**100,690**	57,092
Deferred revenues	**171,418**	226,184
Current portion of loans from Canada	**56,833**	51,983
	608,972	1,683,951
Accrued employee benefits	**75,362**	72,985
Loans from Canada (Note 5)	**1,839,939**	1,896,773
	2,524,273	3,653,709

Equity		
Contributed capital	**11,585,318**	11,585,318
Contribution to Canada (Note 6)	**(1,836,000)**	
Surplus	**2,123,765**	1,615,518
	11,873,083	13,200,836
	$14,397,356	$16,854,545

Contingency (Note 7)
Commitments (Note 8)

On behalf of the Board:

Fred Milley
Chairman

David J. Fox
General Manager and Chief Executive Officer

Statement of Income and Surplus

for the year ended December 31, 1986	**1986**	(Note 10) 1985
Revenue from operations	**$2,388,782**	$1,452,668
Operating and administrative expenses	**1,501,052**	864,410
Depreciation	**561,936**	211,044
Grants in lieu of municipal taxes	**68,598**	(60,670)
	2,131,586	1,014,784
Income from operations	**257,196**	437,884
Investment income — net	**251,051**	313,728
Net income	**508,247**	751,612
Surplus, beginning of year	**1,615,518**	863,906
Surplus, end of year	**$2,123,765**	$1,615,518

Statement of Changes in Financial Position

for the year ended December 31, 1986	**1986**	(Note 10) 1985
Cash provided from (used for)		
Operating activities		
Net income	**$ 508,247**	$ 751,612
Depreciation	**561,936**	211,044
Other non-cash items	**(958)**	6,899
	1,069,225	969,555
Changes in		
Accounts receivable	**56,358**	(54,597)
Accounts payable and accrued liabilities	**(1,068,661)**	1,066,200
Grants in lieu of municipal taxes	**43,598**	(60,670)
Deferred revenues	**(54,766)**	74,018
Current portion of loans from Canada	**4,850**	4,436
	50,604	1,998,942
Financing activities		
Loans from Canada currently payable	**(56,834)**	(51,983)
Investing activities		
Purchase of fixed assets	**(766,351)**	(2,020,945)
Proceeds on disposal of fixed assets	**5,100**	
	(761,251)	(2,020,945)
Contribution to Canada	**(1,836,000)**	
Net cash used	**(2,603,481)**	(73,986)
Cash and short term investments, beginning of year	**5,616,702**	5,690,688
Cash and short term investments, end of year	**$3,013,221**	$5,616,702

Notes to Financial Statements

December 31, 1986

1. In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.

2. Significant Accounting Policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1986		1985	
	Amortized Cost	**Face Amount**	Amortized Cost	Face Amount
Short term	**$2,988,103**	**$3,042,700**	$5,614,056	$5,810,600
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Long term	**$ 949,653**	**$1,069,337**	$ 946,151	$1,015,838

4. Fixed Assets

	1986				1985
	Depreciation Rate	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land		**$ 3,370,578**		**$ 3,370,578**	$3,370,578
Berthing structures	**2.5-10%**	**7,888,366**	**$5,076,710**	**2,811,656**	2,861,729
Buildings	**2.5-10%**	**1,902,865**	**1,366,126**	**536,739**	624,673
Utilities	**3.3-10%**	**3,100,242**	**520,187**	**2,580,055**	96,031
Roads and surfaces	**2.5-10%**	**713,084**	**593,551**	**119,533**	153,834
Machinery and equipment	**5-100%**	**236,027**	**140,859**	**95,168**	166,202
Office furniture and equipment	**20%**	**110,816**	**66,629**	**44,187**	35,274
Projects under construction		**581,418**		**581,418**	2,631,865
		$17,903,396	**$7,764,062**	**$10,139,334**	$9,940,186

5. Loans from Canada

	1986	1985
Loans, 9.33%, maturing in 2000, payable in equal annual instalments of principal and interest of $198,132. The loans are unsecured.	**$1,514,453**	$1,566,437
Principal instalments payable within one year	**56,833**	51,983
	1,457,620	1,514,454
Accrued interest on loans	**382,319**	382,319
	$1,839,939	$1,896,773

Annual principal repayments in each of the next five years are as follows:

1987	$56,833
1988	$62,136
1989	$67,933
1990	$74,271
1991	$81,201

6. Contribution to Canada
During the year, the Government of Canada requested cash contributions from various Crown Corporations. As part of this cash recovery exercise, a request was made for a contribution of $133,000,000 from the Ports Canada system made up of the Canada Ports Corporation and the local port corporations.

The St. John's Port Corporation's share was in the amount of $1,836,000, which has been treated as a Contribution to Canada.

7. Contingent Liability
Claims aggregating approximately $5,000,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

8. Commitments
Funds have been committed on capital projects as at the balance sheet date in the amount of $208,183. The full amount is expected to be expended during 1987.

9. Subsequent Event
Subsequent to the balance sheet date, funds were committed on capital projects in the amount of $4,077,853. The full amount is expected to be expended during 1987.

10. Comparative Figures
The comparative figures presented in these financial statements are for the seven month period ended December 31, 1985.

Board of Directors

Fred Milley
Chairman
St. John's, Nfld.

Faith Good
Vice-Chairman
St. John's, Nfld.

Tom Osborne
Owner
Tom Osborne Real Estate
St. John's, Nfld.

Paul Reynolds
Marketing Representative
Ultramar Canada Inc.
St. John's, Nfld.

Michael Walsh
General Chairman
Brotherhood of Railway and Airline Clerks
St. John's, Nfld.

Dermot Dobbin
President
BRADCO
St. John's, Nfld.

Art Puddister
Manager
Puddister Trading Co. Ltd.
St. John's, Nfld.

Officers of the Corporation

Fred Milley
Chairman

Faith Good
Vice-Chairman

David J. Fox
General Manager and Chief Executive Officer

Allan W. Budden
Manager, Administration

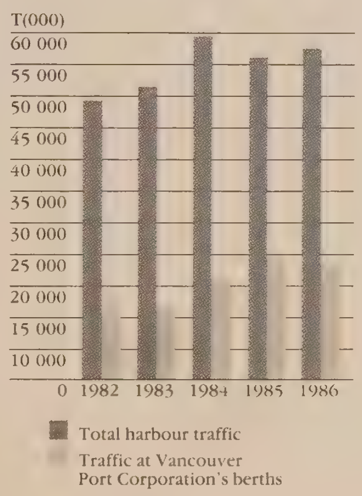
Charles Gosse
Manager, Finance

Keith F. Rose
Corporate Secretary

Vancouver Port Corporation

Performance Highlights

- Total port tonnage increased to 57.6 million tonnes.
- Long-term Terminal Service Contracts signed.
- 25% increase in container traffic; to 222,781 TEUs.
- $27-million Cruise Ship Terminal opens in advance of 17.2% increase in passenger volumes.
- 1986 additions to fixed assets totalled $13.4 million.



Message from the Chairman of the Board and the Port Manager and Chief Executive Officer

Hector D. Perry

F.J. MacNaughton

Pacific Gateway for a Trading Nation

The expanded pursuit of world cargo markets emerged as priority one for the Vancouver Port Corporation during 1986.

Enhanced by the international acclaim of Expo, and Vancouver's Centennial, it was an appropriate year to reaffirm the port's historic leadership in the promotion of Canadian trade among the nations of the world.

It was in 1864 that our first deep-sea cargo — B.C. lumber — was exported to Australia. The Port of Vancouver was 22 years old when the City of Vancouver was incorporated. A year later we welcomed our first passenger ship (Abyssinia) from Yokohama and the CPR's first passenger train.

Over the century, the international perspective of city, region, and port has continually expanded; honed by the marketplace of the world's largest ocean, and the nations of six continents. Today, Canada's largest port generates a regional payroll of $1.5 billion, and is sharply focussed on the economic realities of increasing competition and rapid-fire change.

1986 results reflect an operational, administrative, and planning performance geared to market expansion through Canada's Pacific Gateway.

The "two-way payload" potential presented by the growing container business coupled with the port's huge bulk capacity is being aggressively marketed; most particularly on the Pacific Rim; including to that awakening trade giant, China.

The Financial Performance

Highlights

• Revenues	$78.5 million
• Net income	$20.6 million
• Capital investment	$13.4 million
• Total tonnage	57.6 million tonnes

Achievement was earned in tandem with challenge.

1986 revenues were $78.5 million, which, due to an accounting change as explained in the Notes to the Financial Statement, are substantially less than 1985.

Net income before unusual item was $19.4 million. A decrease from 1985, this result reflects increased operating cost pressures combined with increased depreciation due to capital expenditures. Moreover, the port has not increased its cargo tariff charges since 1984.

In turn, the Corporation's capital improvements programme reinvested some $13.4 million in both new and upgraded facilities. This brings to $63.8 million the total reinvested since our creation as a local port corporation in 1983.

Double-digit gains in general cargo and container categories boosted total throughput to 57.6 million tonnes; an overall increase of 2 percent.

The resource industries of our western provinces again powered Canada's export clout abroad. Coal dominated bulk volumes at 19.1 million tonnes, but decreased due to a prolonged labour dispute within the coal industry and generally static markets. Agriculture tonnages posted a healthy increase at 12 percent, as did forestry — up 15 percent despite their industry shutdown.

Nonetheless, the port shares growing national concern for the ramifications of declining energy markets, countervailing duties on export commodities such as softwood lumber, and foreign grain subsidies.

The Operational Performance

Highlights

- Best-ever cruise season
- 25% gain in container traffic
- Long-term contracts awarded
- Expanded emphasis on port promotion
- Opening of Harbour Heliport

The opening of the Corporation's $27 million cruise ship terminal heralded our most successful cruise season ever; handling some 313,000 passengers; a 17.2 percent increase over 1985.

Arguably the fastest-growing sector of global tourism, the cruise industry is being vigorously pursued by west coast U.S. cities. The Port of Vancouver intends to maintain its competitive lead; seeking additional lines, and encouraging cooperative marketing initiatives with the 11 lines already committed to this port.

Achievement and challenge also characterized 1986 cargo activity in Vancouver. Benchmark achievement was the awarding of long-term operating contracts for Vancouver Port Corporation's three cargo terminals. Empire Stevedoring, Canadian Stevedoring, and Western Stevedoring now operate Vanterm, Centerm, and Lynnterm respectively.

The 10-year contracts immediately resulted in the operators announcing capital investment projects totalling nearly $20 million. Moreover, contract provisions free the operators to be independently competitive; setting their own tariffs, and long-term arrangements with customers.

Vancouver Port Corporation's own capital programme for terminal improvements included a 6-acre landfill, extended rail trackage, crane rails, and expanded facilities for Centerm, thus providing two first-class container berths, and completion of container facilities at Vanterm's Berth 7.

Two new cranes are provided for in future planning as volumes increase, which will bring the port's handling potential close to half a million TEUs annually.

In this context, it is significant to note that, as a fully self-sustaining Crown Corporation, the Vancouver Port Corporation continues to generate sufficient revenues to ensure prompt reinvestment in needed port facilities, and also to return a fair dividend to its shareholder; namely the Canadian taxpayer.

Vancouver Port Corporation's container traffic increased by 25 percent in 1986; a portent of what's ahead in world shipping as more and more cargoes seek the advantages of containerization.

In counter-point however, is the on-going concern for future prospects presented by the delayed resolution of the container clause. The chronic dispute resulted in lockout action idling the port briefly last fall. The port has publicly encouraged both the BCMEA and the ILWU to formulate an equitable solution that would eliminate the clause.

Indeed, the port believes that elimination of the clause is pivotal to the continued growth of Vancouver as a west coast load centre. Moreover, as shipping technologies and trade patterns change, the Corporation is convinced that only full-service ports will survive as major players in world ocean trade.

Resolution of the issue is expected by June, 1987, when an industrial enquiry ordered by the Minister of Labour submits the report of the Port of Vancouver Container Traffic Commission.

Completion of the management team in 1986 saw the establishment of a Port Promotion Department to beef-up marketing efforts at home and abroad. Dialogue with Canada's national railways was dramatically increased as "intermodal muscle" was identified as a key element in our stiff competition with U.S. ports.

International contacts were expanded in October when VPC hosted Pan Pacific Seminar III, attended by more than 20 ports from 3 continents, including our Sister Ports of Dalian and Yokohama.

On-site construction projects were further evidence of the Corporation's energetic drive to improve services and performance on all fronts. The $4.4 million Main Street overpass and waterfront road was completed, improving traffic flow to the cruise ship terminal and community access to the new waterfront park, a joint project with the City of Vancouver due for completion this spring.

Transport Canada and the Vancouver Port Corporation collaborated on a unique project that created Canada's first floating heliport in the heart of its third largest city. Harbour Heliport is being operated for the port by the private sector.

The Planning Performance

Highlights

- 20 + terminals in full-service port
- VPC broadens industry/government consultation
- International perspective essential

And it is the private sector that continues to be the Corporation's most valued partner in the priority pursuit of market share. Most important, of course, are the more than 20 specialized terminals within the port; backed by a skilled waterfront workforce of more than 3,000.

Increased consultation is underway with shipping lines and agents; with importers and exporters; resource producers and trade associations; and with governments at all levels across Canada. The Port of Vancouver's message is explicit — "We want to work with you; we share your objectives; we want your business."

Throughout 1986, it was the vision and skills of our own port people which produced the achievements, recognized the priorities, and anticipated the opportunities for the Corporation.

The Board of Directors has demonstrated both a sensitivity to regional aspirations as well as a strong awareness of customer expectations. Port management and staff have translated this guidance into a team effort evidenced by the year's financial and marketing results.

Pacific Gateway . . . to the Future

Today, as a local port corporation and member of Ports Canada, Vancouver Port Corporation is a contemporary transport organization acutely aware of its responsibility — and opportunity — to serve the national interest, and the aspirations of all Canadians for economic growth and prosperity.

As our city moves into its second century, and surrounding regions continue to grow, the Port of Vancouver is eager to share its expanding international horizons — and help generate the rich rewards awaiting those who offer excellence to world markets.

Chairman of the Board

Port Manager and Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1986 and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Thorne Ernst & Whinney

Chartered Accountants

Vancouver, Canada
February 23, 1987

Balance Sheet as at December 31, 1986

(in thousands of dollars)

Assets	1986	1985
Current Assets		
Cash	$ 306	$ 1,087
Investments (note 3)	39,107	36,054
Accounts receivable	5,170	9,488
Materials and supplies	236	778
	44,819	47,407
Investments (note 3)	46	9,472
Long-Term Receivables (note 4)	7,856	8,223
Property and Equipment (note 5)	184,187	177,605
	$236,908	$242,707

Liabilities and Equity of Canada	1986	1985
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,599	$ 7,892
Grants in lieu of municipal taxes	5,187	3,612
Deferred revenues	2,781	2,834
	11,567	14,338
Accrued Employee Benefits	1,106	1,203
Loans from Canada (note 6)	108,019	108,204
	120,692	123,745
Equity of Canada		
Contributed capital	7,733	7,733
Contribution to Canada (note 9)	(23,331)	—
Retained earnings	131,814	111,229
	116,216	118,962
	$236,908	$242,707
Commitments (note 8)		

Approved by the Board:

Hector D. Perry
Chairman

Rodney A. Snow
Director

Statement of Income and Retained Earnings

(in thousands of dollars)

	Six Months Ended June 30	Six Months Ended December 31	Year Ended December 31	Year Ended December 31
	1986	**1986**	**1986**	1985
Operating revenue, gross	**$57,105**	**$21,436**	**$ 78,541**	$104,349
Less service contractors	**34,541**	—	**34,541**	63,138
Operating revenue, net (note 7)	**$22,564**	**$21,436**	**44,000**	41,211
Operating and administrative expenses			**18,147**	16,424
Grants in lieu of municipal taxes			**5,097**	4,265
Depreciation			**6,225**	4,704
			29,469	25,393
Income from operations			**14,531**	15,818
Investment income			**5,192**	4,895
Interest expense on loans from Canada			**(338)**	(350)
			4,854	4,545
Income before unusual item			**19,385**	20,363
Adjustment of grants in lieu of municipal taxes			**1,200**	—
Net income			**20,585**	20,363
Retained earnings at beginning of year			**111,229**	90,866
Retained earnings at end of year			**$131,814**	$111,229

Statement of Changes in Cash Resources

(in thousands of dollars)

for the year ended December 31, 1986	**1986**	1985
Cash provided by (used for):		
Operations		
Net income	**$20,585**	$20,363
Items not affecting cash		
Depreciation	**6,225**	4,704
Other	**(1,555)**	178
Changes in non-cash components of working capital	**2,089**	1,029
	27,344	26,274
Financing Activities		
Capital grants	**499**	—
Loans from Canada currently payable	**(185)**	(173)
	314	(173)
Investment Activities		
Additions to property and equipment	**(13,375)**	(18,815)
Reduction to property and equipment on cost recovery	—	3,947
Increase in long-term receivables	—	(3,947)
Sale of Canada Bonds	**10,897**	—
Other	**423**	336
	(2,055)	(18,479)
Contribution to Canada (note 9)	**(23,331)**	—
Increase in cash resources	**2,272**	7,622
Cash resources at beginning of year	**37,141**	29,519
Cash resources at end of year	**$39,413**	$37,141

(Cash resources are defined to include cash and investments)

Notes to Financial Statements

year ended December 31, 1986

1. General

The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is named as a Crown Corporation in Schedule C, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and operate the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

2. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

a) Property and Equipment
Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

b) Pension Costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Although the plan is a defined benefit plan, the contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Insurance
The Corporation assumes substantially all risks against fire and property damage, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

d) Grants in Lieu of Municipal Taxes
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

e) Employee Benefits
The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

3. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1986 and 1985 the market value of the treasury bills approximated carrying value. Long-term investments are in Government of Canada bonds which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. At December 31, 1986 the market value of the bonds was $48,700 (1985, $10,526,300).

4. Long-Term Receivables

(in thousands of dollars)

	1986	1985
Non-interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	**$3,947**	$3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at $6^5/_8$% per annum, payable in blended annual instalments of $462,916 maturing December 31, 1996	**3,309**	3,537
Less current portion	**(244)**	(228)
	3,065	3,309
Long-term agreement for sale of No. 3 Elevator, bearing interest at $5^3/_4$% per annum, payable in annual installments of $117,720 plus interest maturing August 1, 1994	**942**	1,060
Less current portion	**(118)**	(118)
	824	942
Other	**20**	25
	$7,856	$8,223

5. Property and Equipment

(in thousands of dollars)

	1986			1985
	Cost	**Accumulated Depreciation**	**Net**	Net
Land	**$76,291**	**—**	**$76,291**	$75,135
Dredging	**366**	**$ 166**	**200**	150
Berthing structures	**51,251**	**21,937**	**29,314**	27,621
Buildings	**43,714**	**8,821**	**34,893**	11,850
Utilities	**12,488**	**4,761**	**7,727**	6,161
Roads and Surfaces	**29,208**	**13,829**	**15,379**	12,381
Machinery and equipment	**26,192**	**8,225**	**17,967**	14,720
Office furniture and equipment	**724**	**567**	**157**	71
Projects under construction	**2,259**	**—**	**2,259**	29,516
	$242,493	**$58,306**	**$184,187**	$177,605

6. Loans from Canada

(in thousands of dollars)

	1986	1985
Interest bearing loan at 7.5% repayable in blended annual instalments maturing December 31, 2000	**$ 4,333**	$ 4,506
Less current portion	**(185)**	(173)
	4,148	4,333
Non-interest bearing loan with an indefinite due date	**76,494**	76,494
Accrued interest not due and payable	**27,377**	27,377
	$108,019	$108,204

The non-interest bearing loan and accrued interest not due and payable were transferred to the Corporation by Canada Ports Corporation effective July 1, 1983. This loan replaced an interest bearing loan of the same amount on which interest of $27,377,000 had accrued to December 31, 1980.

Principal repayment requirements over the next five years amount to $185,000 in 1987, $199,000 in 1988, $214,000 in 1989, $230,000 in 1990, and $248,000 in 1991.

7. Operating Revenue, Net

The Corporation entered into new Terminal Services contracts during 1986 for terminals operated by the Corporation. Under the old contracts all revenues generated on these terminals were recorded by the Corporation as operating revenue with payments for the services of the service contractors recorded as operating expense. Under the new contracts revenues now accruing directly to the service contractors are not shown as revenue or expense in the Corporation's financial statements.

8. Commitments

At December 31, 1986 the estimated cost of completing all approved capital projects was $20 million of which the Corporation had contractual obligations at that date for $1.1 million.

The Corporation has long-term lease obligations of varying durations to 1991 for office accommodation aggregating $3,152,000 with annual payments in each of the five years of: 1987, $756,000; 1988, $741,000; 1989, $662,000; 1990, $662,000; and 1991, $331,000.

9. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown Corporations.

In addition to the loans from Canada disclosed in note 6, the Corporation paid $1,599,000 (1985, $1,974,000) to Canada Ports Corporation as its share of that corporation's operating expenses and paid to the Government of Canada $23,331,000 representing the Corporation's share of the contributions requested of Ports Canada by the Government of Canada under the cash recovery program. The Corporation has been requested to consider declaring a dividend of 30% of 1986 net income, payable to the Government of Canada by March 31, 1987.

Board of Directors

Captain Hector D. Perry •
Chairman
Ganges, B.C.

Jane E. Frost/•**
Vice-Chairman
Vancouver, B.C.

Norman G. Cunningham*/•
Chairman and Chief Executive Officer
British Columbia Maritime Employer's Association
Vancouver, B.C.

Laurie G. Maranda **
Vice-President
Choukalos, Woodburn, McKenzie, Maranda Ltd., Consulting Engineers
Vancouver, B.C.

Jack Munro •
President
International Woodworkers Union Council No. 1
Vancouver, B.C.

Richard I. Nelson **
Vancouver, B.C.

Rodney A. Snow *
Barrister and Solicitor
Vancouver, B.C.

* Member, Audit Committee
** Member, Planning and Budgeting Committee
• Member, Executive Committee

Officers of the Corporation

Captain Hector D. Perry
Chairman

Francis J. MacNaughton
Port Manager and Chief Executive Officer

Captain Norman C. Stark
Assistant Port Manager

Philip L. Clark
General Counsel and Corporate Secretary

Donald G. Buggie
Director, Finance

Mailing Addresses

LOCAL PORT CORPORATIONS

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Que.
H3C 3R5
Tel: (514) 283-7042

Prince Rupert Port Corporation
110-3rd Avenue W.
Prince Rupert, B.C.
V8J 1K8
Tel: (604) 627-7545

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Que.
G1K 7P7
Tel: (418) 648-3558

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Stn. A
Saint John, N.B.
E2I 2B5
Tel: (506) 648-4869

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's, Nfld.
A1C 5X8
Tel: (709) 772-4582

Vancouver Port Corporation
1900-200 Granville Square
Vancouver, B.C.
V6C 2P9
Tel: (604) 666-8978

CANADA PORTS CORPORATION

Port of Belledune
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6787

Port of Chicoutimi
Lafontaine Street
P.O. Box 760
Chicoutimi, Que.
G7H 5E1
Tel: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Man.
R0B 0E0
Tel: (204) 675-8823

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6787

Port of Prescott
River Road East
P.O. Box 520
Prescott, Ont.
K0E 1T0
Tel: (613) 925-4228

Port of Sept-Îles
421 Arnaud Street
P.O. Box 280
Sept-Îles, Que.
G4R 4K5
Tel: (418) 968-1231

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières, Que.
G9A 5K2
Tel: (819) 378-3939

National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel: (613) 957-6787

Corporate Directory

Board of Directors

The Honourable A.R. Huntington
Chairman
Ottawa, Ont.

William Marsh
Vice-Chairman
River Ryan
Cape Breton, N.S.

Denis de Belleval
President and Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

Dr. John Balkwill
Kanata, Ont.

Raymond V. Beck
Chairman
Halifax Port Corporation
Halifax, N.S.

Ronald Corey
Chairman, Montréal Port Corporation
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

Brian Keple
President
Regina Cartage & Storage
Regina, Sask.

Richard K. Lester
Manager, Vancouver Office
Parrish & Heimbecker Limited
Vancouver, B.C.

A. R. MacLean
Principal
Dalhousie Regional High School
Dalhousie, N.B.

C. Peter MacLean
Vice-President
J.W. MacDonald & Company Ltd.
New Glasgow, N.S.

The Honourable Jean Marchand
Vice-Chairman
Port of Québec Corporation
Québec, Que.

John H. Morrish
President and Chief Executive Officer
Fording Coal Ltd.
Calgary, Alta.

Captain H.D. Perry
Chairman
Vancouver Port Corporation
Vancouver, B.C.

James B. Powers
President and General Manager
Labrador Construction Company Limited
St John's, Nfld.

Joseph V. Streeter
Investment Dealer
Dominion Securities Inc.
Saint John, N.B.

James L. Thom
President
Montréal Shipping Inc.
Montréal, Que.

Robert H. Vandewater
Vice-President and Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

Officers of the Corporation

The Honourable A.R. Huntington
Chairman

Denis de Belleval
President and Chief Executive Officer

Hassan J. Ansary
Vice-President, Corporate Services

Camille A. Guérin
Vice-President, Financial Services

T.A. Lauzon
Vice-President, Port Services

Ted Ciunyk
Director General, Police and Security

Tom Gallagher
Director and Senior Counsel
Common Law

Pierre Woods
Director and Senior Counsel
Civil Law and Real Property

Roza Aronovitch
Corporate Secretary

Executive Committee and Human Resources Committee

Chairman: The Honourable A. R. Huntington
Vice-Chairman: William Marsh
Members: Dr. John Balkwill
Denis de Belleval
Ronald Corey
Brian Keple
James L. Thom

Audit Committee

Chairman: A.R. MacLean
Members: Ronald Corey
C. Peter MacLean
James B. Powers
Robert H. Vandewater

Planning and Budget Committee

Chairman: James B. Powers
Members: Richard K. Lester
Joseph V. Streeter
James L. Thom
Robert H. Vandewater

Police Committee

Chairman: Brian Keple
Members: Raymond V. Beck
Denis de Belleval
D. Cassidy (Member at large)
The Honourable A.R. Huntington
The Honourable Jean Marchand

Ports Canada

1987

TABLE OF CONTENTS

PORTS CANADA PROFILE

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic and more than 95 percent of container traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public service, the ports are administered according to common commercial principles.

The Canada Ports Corporation's National Office is located in Ottawa.

Pour recevoir ce rapport en français, prière de vous adresser
à Ports Canada, 99, rue Metcalfe, Ottawa (Ontario)
K1A 0N6

Message from the Chairman of the Board

Although a degree of stability returned to the waterside modes of transportation through 1987, the trauma of the eighties has forced "sharp-pencil management" on to those engaged in the exciting business of moving resource products and value-added goods.

In the Ports Canada system, we have moved from a preoccupation with maritime issues to the role of a connector between modes of transport. The challenge is to ensure that infrastructure, hardware, management and labour, are all in harmony with the interests and expectations of present and prospective users.

In actioning this challenge, member ports are re-evaluating and updating land use, purchasing modern equipment to increase productivity and capacities, extending and enlarging berths and terminals, and building modern intermodal transfer facilities to ensure that our connector role is efficient and effective in the movement of bulk products, forest products and goods in containers.

It is in the national interest for governments and transportation entities engaged in international commerce through our ports, to accelerate the rate of modernization of equipment and infrastructure, to serve the demands of today's landbridge and physical distribution concepts.

There is an urgent need for two level-crossing connections between port and regional highway systems in order to reduce trucking costs. The resolution of this problem, where it exists, will require the goodwill of all three levels of government.

With our ports being rail dependant, we have a priority interest in the modernization of rail equipment. It is important that our ports have in place the best possible infrastructure for container transfer in order to accommodate the next generation of rail container equipment. There is a need for early consultation between rail and port entities in order to strengthen this link in our national transportation system.

The role of the port in disputes between longshore unions and employers has become a central issue. With a breakdown in labour relations, activity on the terminal stops and the port, as a gateway for trade, is held hostage until the dispute is resolved and work resumes. In 1988, a more pro-active role for ports should evolve in the relationships between longshore unions and employers. In some ports monitoring of communications between parties may improve the relationship and help avert a crisis.

A statement of purpose for the Canada Ports Corporation has received consensus within the Ports Canada system. This statement elaborates and clarifies the role of National Office in serving the National Interest.

The government has appointed a good balance of high calibre members to the various Boards of Directors. I am pleased to report that under their direction the accountability framework envisioned by Crown corporation legislation is functioning well.

The Canada Ports Corporation Board of Directors is a devoted group, who are supported by sincere and dedicated staff. The Board of Directors appreciates the energetic team approach of Jean Michel Tessier, President and Chief Executive Officer and a valued member of the Board. Good progress has been made through 1987 in the working relationships within the Ports Canada structure.

The leadership and attention given to evolving issues by the Honourable John Crosbie, Minister of Transport, and his staff is valued and appreciated. As we enter the sixth year under the *Canada Ports Corporation Act*, the Ports Canada system has developed "sea legs" which, I am hopeful, will serve Canada's trading interests well.

The Honourable A.R. Huntington
Chairman of the Board

Message from the President and Chief Executive Officer

Last year marked the fifth year that Ports Canada has been governed under the Canada Ports Corporation legislation — a year characterized with new and increased challenges from which the Corporation emerged stronger and more determined to pursue its objectives.

Key among these objectives is the strengthening of the Ports Canada system. A major initiative was undertaken to establish an interport loan mechanism to further enhance the financial self-sufficiency of the system in accordance with the *Canada Ports Corporation Act*. With unanimous support of all local port corporations, as well as the Canada Ports Corporation, this policy now awaits the shareholder approval before it is implemented.

In a similar vein, the Ports Canada family adopted a new insurance policy that now covers all ports within the system with significant cost savings to all concerned. We are now examining viable alternatives for establishing a self-insurance fund to further reduce insurance costs to the port.

Ports Canada's competitive study reached near completion marking a major accomplishment. This comprehensive study delved into nearly all aspects of port operations in North America with a view to providing us with a keener understanding of potential opportunities for and risks to our ports. The challenge will now be to formulate strategies that will enable us to capitalize on our strengths to overcome any weaknesses in this intensely-competitive market.

Similarly, in recognition of changing market forces, we have initiated a long-term viability study of our non-corporate ports, which, pursuant to the legislation, are managed on a divisional basis. Our intent is to ensure that every effort is made to identify viable business ventures for these ports. At the same time, however, cost factors will be closely examined with an eye on economies wherever possible.

In accordance with our general disposition toward the management of our ports, proposals were sought from the private sector to operate the elevator at the Port of Prescott. Having established specific profitability targets, one of the proponents has been selected for final negotiations. A decision is expected in the first quarter of 1988.

The evolving role of the National Office of the Canada Ports Corporation resulted in a reassessment of the organization and structure of this Office. Required adjustments were incorporated to ensure responsiveness to the port needs and changing market conditions. Most importantly, staff departments were realigned to stress the need for a marketing and service orientation. Our efforts will now be directed to the creation of working conditions that will encourage flexibility and creativity and reward performance.

These steps and consequent successes notwithstanding, significant challenges lie ahead for Ports Canada in the coming years arising both from internal and external environments. The new *National Transportation Act* and the Canada-US Free Trade Agreement will undoubtedly create new dynamics within Canada's transportation industry. Ports Canada will not only do its utmost to contribute to the successful implementation of these historic measures, we will also endeavor, at the same time, to learn to adapt to these new realities and the resulting vitality.

As a responsible Corporation, we remain supportive of the government's fiscal objectives. The establishment of the interport loan, for example, is intended to reduce the need for state funding of viable port projects that would otherwise require borrowing from the government.

Most importantly, however, Ports Canada must pursue a vision of excellence in every respect. As the new President and Chief Executive Officer, working with a dedicated staff, the achievement of this mandate will constitute one of my major priorities. Having been blessed with a visionary and supportive Board of Directors, under the leadership of the Honourable A. R. Huntington, I intend to do my utmost in pursuit of these ideals.

Opportunities are limitless. Ports Canada will remain keenly interested in those that enable us to take advantage of our unique role to support Canada's economic and trade objectives.

At this time, I would like to acknowledge the support of the Board of Directors and the Honourable John Crosbie, Minister of Transport who entrusted in me this challenging and exciting position; and to the staff of National Office and the ports the tip of my hat for their words of encouragement, loyalty and hard work.

J. M. Tessier

Jean Michel Tessier
President and Chief Executive Officer

Ports Canada Five Year Financial Review

Revenue from operations for Ports Canada increased $11 million or 7 percent to $171 million in 1987. Contributing to this increase was a marked improvement in traffic at Québec where a breakdown in labour negotiations resulted in a work stoppage in 1986. The increase also reflects significantly higher grain volumes at Halifax, Prince Rupert, Québec and Vancouver as well as a greater volume of container traffic at Halifax, Montréal and Vancouver.

Operating expenses were $140 million compared with $138 million in 1986. This successful containment of expenses in 1987 resulted in an improved operating income of $31 million, an increase of $9 million or 41 percent from the previous year. Funds from operations, being operating income before depreciation, amounted to $57 million in 1987, as compared to $46 million in 1986.

Net income, before the $4 million share in the loss of Ridley Terminals Inc., was $47 million compared to $42 million in 1986. In spite of an improvement of $9 million in operating income, net income increased by $5 million mainly due to a decline in investment income. This decline was the result of a smaller investment base following a $133 million cash payment made to Canada in 1986 and a $12 million cash dividend made in 1987.

Besides the annual recognition of net income and dividend, in 1987 equity of Canada reflects the forgiveness by Canada of $475 million of debts and accrued interest, the repayment of which was suspended by Canada in 1981. This debt forgiveness has been credited to contributed capital and has permitted some Ports Canada corporations to conduct a restructuring of the equity section of their balance sheets. The restructuring exercise has been carried out, as approved by the Minister of Transport, with the objective of better reflecting the financial strength of the corporations involved.

During the year Ports Canada invested $34 million in capital projects. Of this amount, $31 million was provided by internally generated funds. Major capital projects undertaken in 1987 included the upgrading and expansion of port facilities at Halifax, Montréal, Sept-Îles, St. John's and Vancouver.

Ports Canada Five Year Financial Review

	1987	1986 (restated)	1985 (restated)	1984	1983
(in millions except for average number of employees and ratios)					
Financial results					
Revenue from operations	$ **170.7**	$159.9	$153.7	$157.1	$151.1
Operating expenses	**140.2**	138.1	130.3	129.6	126.9
Operating income	**30.5**	21.8	23.4	27.5	24.2
Investment income — net	**16.0**	18.9	26.8	24.2	22.6
Net income before RTI*	**46.5**	42.1	51.9	57.8	35.0
Cash provided by operating activities	**69.3**	58.1	76.4	74.6	73.7
Financial position at year end					
Working capital	$ **148.6**	$114.2	$211.7	$189.8	$160.1
Fixed assets — at cost	**1,015.4**	990.1	962.3	914.0	892.9
Total assets	**895.5**	863.5	974.2	926.1	865.8
Equity of Canada	**737.4**	227.8	322.3	275.3	218.8
Capital expenditures	$ **33.8**	$ 50.2	$ 64.1	96.6	$ 74.6
Federal capital financing					
Grants	$ **2.1**	$ 13.5	$ 14.3	$ 35.4	$ 10.5
Loans	**1.0**	4.1	5.2	4.9	7.1
Recoverable contribution	—	—	—	0.4	8.4
Employees					
Average number of employees	**1,344**	1,452	1,517	1,637	1,695
Ratios					
Operating revenue/tonne	$ **0.98**	$ 0.99	$ 0.99	$ 0.95	$ 1.05
Tonne/employee	**129,455**	110,840	102,307	100,672	84,897
Cash from operating activities/total assets	**7.7%**	6.7%	7.8%	8.1%	8.5%

* Ridley Terminals Inc.

Ports Canada Review of Traffic

Total 1987 cargo volume through Ports Canada ports, including both private facilities located within the harbour limits and Ports Canada berths, was up almost 8 percent over 1986 to 174 million tonnes. The major portion of this growth was accounted for by an increase in bulk grain traffic, primarily through the ports of Québec, Prince Rupert and Vancouver. Other areas of growth in tonnage across the port system included liquid bulk (petroleum) and containerized cargo.

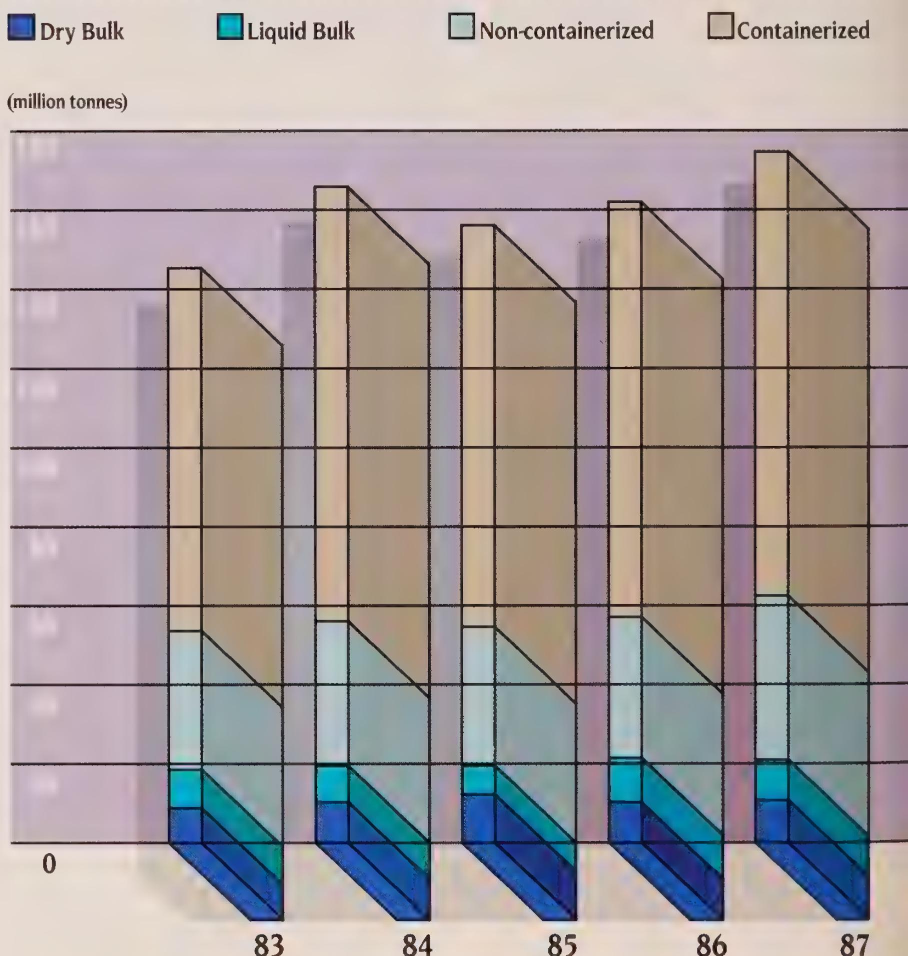
Total tonnage handled through Ports Canada berths in 1987 was 79 million tonnes, up from 70 million tonnes recorded in 1986. The seven local port corporations handled 75 million tonnes through their facilities, up 17 percent from the 64 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities at its seven ports was down to 4.5 from the almost 6 million tonnes in 1986.

Total grain shipments handled across the Ports Canada system, including private facilities, were up in 1987 to almost 32 million tonnes. This increase in grain traffic came about despite strong competition from other grain exporting countries. This high growth rate in grain traffic is the result of record crops in the prairies, greatly expanded grain sales to Asian countries, particularly China, and the resolution of major labour disputes which has disrupted traffic movements at some of our ports last year. Both Prince Rupert and Québec experienced a doubling of traffic in 1987. Traffic levels at Québec were markedly up because of the resolution of the labour conflict, while at Prince Rupert, intense buying of Canadian grain by Asian countries helped this port attain record grain traffic despite the grain terminal being shutdown in December because of a labour dispute. Grain traffic was also much higher at Vancouver with 25 percent growth; but it was almost unchanged at Montréal where grain traffic grew by 4 percent.

Coal shipments, at 25 million tonnes, were down 5 percent, or 1.4 million tonnes, for 1987 versus the previous year. This decline was primarily due to the complete disappearance of ship-to-ship transfer of coal at the Port of Sept-Îles. In 1987, the Port of Sept-Îles handled U.S. coal exports transshipments of 828,000 tonnes.

Containerized cargo volume through Ports Canada facilities was up 12 percent in 1987 to 11.1 million tonnes or 1.3 million TEUs (20-foot equivalent units). On the basis of tonnage, 94 percent of container traffic was either imports (48 percent) or exports (52 percent) and 6 percent handled in domestic trade. This growth came despite increasing concern over Canadian cargo being diverted through U.S. ports. Of Canada's four major container ports, Montréal, Vancouver and Halifax experienced strong growth rates in 1987. However, container tonnage at Saint John was down due to several shipping lines dropping Saint John as a port of call.

Five Year Review of Traffic

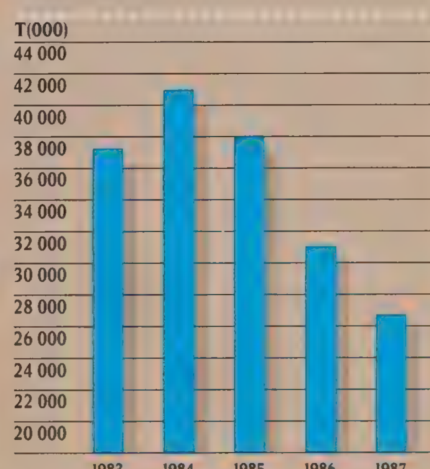


Canada Ports Corporation

Performance Highlights

- Total port traffic was 26.7 million tonnes
- The Corporation paid a dividend of $1 million.
- Total grain traffic increased at the Ports of Prescott and Port Colborne to 265,000 tonnes and 93,000 tonnes respectively.

Total Traffic



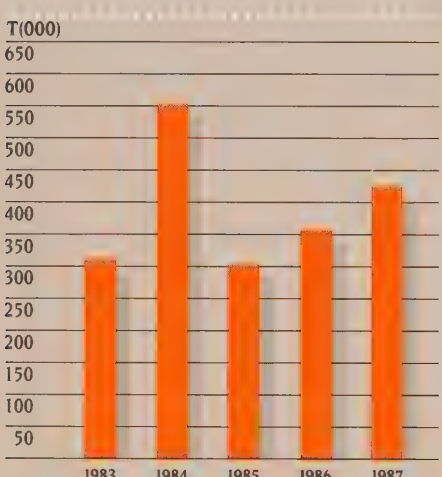
The 1983 *Canada Ports Corporation Act*, in setting forth the objective of the national ports policy for Canada, not only called for the establishment of local port corporations at ports which met certain criteria, but also provided for the administration of non-corporate ports within a national administrative system. This latter group, now collectively referred to as Divisional Ports, includes Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières. These ports are directly administered by the Canada Ports Corporation.

The Divisional Ports play a fundamental role in the regional and local economies of the geographic areas in which they are located. They serve traffic movements, both historic and newly developing. Local industries, which are generally resource based, are dependent on the terminal facilities provided by the ports as they are the sole or primary link to markets, both national and international. The majority of the commodities handled by the Divisional Ports are dry bulk and liquid bulk; grain, salt, various mineral ores, coal and a variety of petroleum products. Some of these ports also handle forest products while most accommodate some degree of general cargo.

From the perspective of the Ports Canada system, the sphere of influence of a Divisonal Port may be limited to a more regional than national hinterland but the overall socio-economic well-being of the community, in terms of regional and industrial development and transportation infrastructure, is clearly linked to the port itself.


Port of Belledune

Total Traffic (Port of Belledune)



Traffic Review

The Divisional Ports handled a total of 26.7 million tonnes, a decrease of 14 percent from the 1986 level of 31.2 million tonnes. This tonnage represented 15 percent of the total traffic handled by the Ports Canada system, a decrease of 4 percent over the 1986 figure of 19 percent. Of the total figure of 26.7 million tonnes, 4.5 million tonnes, or 17 percent, were handled at terminal facilities owned by the Corporation. The corresponding 1986 figure was 5.8 million tonnes, or 19 percent.

The majority of the downturn was experienced at the Port of Sept-Îles and was generated by factors external to the Corporation. The iron ore traffic of the Iron Ore Company and Wabush decreased by 2.6 million tonnes and there was no ship-to-ship transfer of coal whereas in 1986, this coal traffic accounted for

838,000 tonnes. Also of significance, was the decrease in grain traffic at the Port of Trois-Rivières from 2.1 million tonnes to 1.8 million tonnes. In 1986, the grain traffic at the port benefited indirectly from the prolonged work stoppage at the Port of Québec.

Financial Overview

In general, income and expenditures reflect the lower traffic levels, an effort to remain financially prudent, a corporate responsibility to the shareholder and the completion stages of major terminal development projects.

Revenue from Operations: Operating revenues for 1987 were $13.3 million, down 11 percent from the 1986 level of $15 million. This generally reflects the overall decrease in tonnage handled at the ports, most notable at Sept-Îles, Trois-Rivières and Churchill. The grain elevator operations at Port Colborne entered the second year of a lease to a private operator and produced total revenues lower than in 1986.

Operating Expenses: Operating expenses decreased $941,000 or 6 percent from the 1986 level. Significantly, salaries and employee benefits decreased 9 percent while depreciation and grants-in-lieu-of-taxes remained relatively stable.

Investment Income: Investment income of $4.4 million was down 15 percent from the 1986 figure of $5.2 million due to a lower investment base resulting from a dividend payment of $1 million and overall lower yields in 1987.

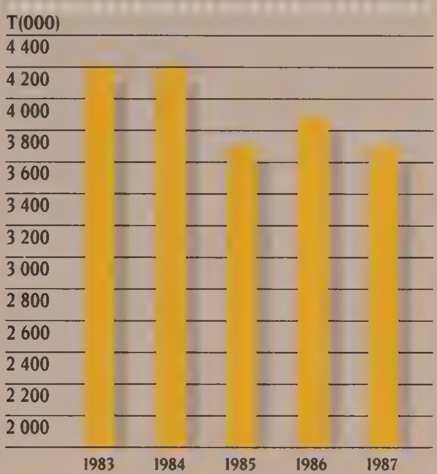
Income from Operations: Income from operations before depreciation, amounted to $1.4 million compared to $2.2 million in 1986. Provision for depreciation of $2.8 million resulted in an operating loss of $1.4 million for 1987 compared to an operating loss of $0.7 million in 1986.

Net Income: Prior to accounting for its share in the loss of Ridley Terminals Inc., the Corporation achieved a net income of $2.9 million compared to $4.3 million in 1986. The 1987 loss recorded on its investment in Ridley Terminals Inc. was $4 million. In 1987, the net loss of the Corporation was $1.1 million compared to a net loss of $1.7 million in 1986.

Dividend: The Corporation paid to the shareholder a dividend of $1 million, with respect to the 1986 financial year, set at 30 percent of net income before its share in the loss of Ridley Terminal Inc. This figure represents 28 percent of the total Ports Canada dividend payment of $12.2 million.

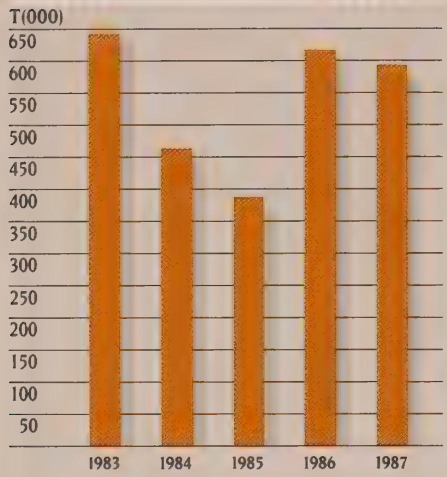
Ports of Chicoutimi/Baie des Ha! Ha!

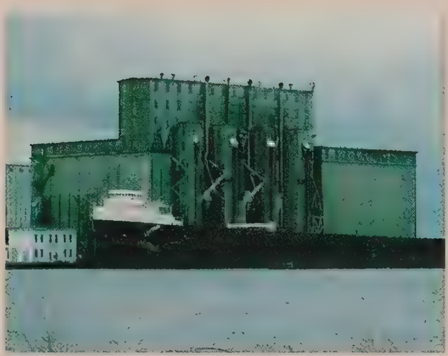
Total Traffic (Ports of Chicoutimi/Baie des Ha! Ha!)



Port of Churchill

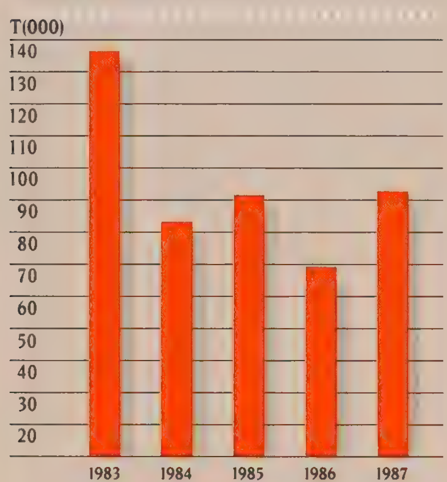
Total Traffic (Port of Churchill)





Port Colborne

Total Traffic (Port Colborne)



Contributed Capital: The federal government forgave non-interest bearing loans and accrued interest in the amount of \$23.3 million, related to Belledune, Chicoutimi, Churchill and Sept-Îles.

Capital Investments: The Corporation spent \$3.5 million on fixed assets in 1987 compared to \$16.4 million in 1986. A total of \$2.1 million in grant funding was provided by the federal government for completion of and continuation of projects at Sept-Îles and Churchill. Significant expenditures of \$465,000 and \$384,000 were also made at Trois-Rivières and Prescott respectively.

Principal Operations: The principal operations of the Canada Ports Corporation are defined by the activities of the Divisional Ports.

Port of Belledune

The Port of Belledune, located in north eastern New Brunswick, is a bulk-loading terminal used primarily by Belledune Fertilizer. Other major users include Brunswick Mining and Smelting and Shell Canada. Total traffic increased 19 percent to 425,000 tonnes with the traditional commodities of phosphate and petroleum products predominant.

Total revenues were \$200,000 compared to \$188,000 in 1986. Operating loss was \$25,000 compared to \$33,000 in 1986. Belledune had a net loss of \$34,000, slightly larger than the 1986 los of \$26,000.

Ports of Chicoutimi/Baie des Ha! Ha!

The Port of Chicoutimi, located at the head of the Saguenay River, is a major economic and transportation centre, providing a fundamental service to the region's resource-based industry. The port is linked traditionally and geographically to Baie des Ha! Ha!, located downstream from Chicoutimi, where private wharf facilities owned by Alcan handle commodities used in the production of aluminum. Total port traffic at Chicoutimi decreased 10 percent to 434,000 tonnes compared to 482,000 tonnes in 1986.

Total revenues decreased slightly from \$1.2 million in 1986 to \$1 million in 1987. Operating loss was \$15,000 compared to an operating income of \$16,000 in 1986. Net income was \$453,000, in comparison with \$657,000 in 1986.

In Baie des Ha! Ha!, total traffic was down marginally from 3.4 million tonnes in 1986 to 3.3 million tonnes in 1987. Total revenues were \$112,000 compared to \$119,000 in 1986.

Operating income fell to $7,000 compared to $18,000 in 1986 while a net income of $19,000 was achieved in relation to the 1986 net income of $48,000.

Port of Churchill

The Port of Churchill, located on the western shore of Hudson Bay continued its unique role in the export of western Canadian grain and in the resupply of northern communities. The port handled 569,000 tonnes of grain, virtually the same as handled in 1986.

A major $7.7 million dredging program to provide a water depth of 11.6 metres at low tide was completed. Also in full operation was the new shipberthing tug, the "H. M. Wilson", completed at a cost of $3.2 million and funded through the Canada-Manitoba Economic and Regional Development Agreement.

Total revenues of $6.8 million were down 6 percent from the 1986 figure of $7.2 million. Operating loss was $342,000 compared to a 1986 operating income of $214,000. The 1987 net income was $239,000 compared to $743,000 in 1986.

Port Colborne

In 1986, grain elevator operation at Port Colborne, located at the south-end of the Welland Canal, was leased on a long-term basis to Goderich Elevators Limited of Ontario, and 1987 represented the first full year of operation under this arrangement. The company installed a grain cleaner to provide additional service to customers and made inroads in the United States market for Canadian prairie wheat and oat. Total grain traffic increased 33 percent from 70,000 tonnes in 1986 to 93,000 tonnes.

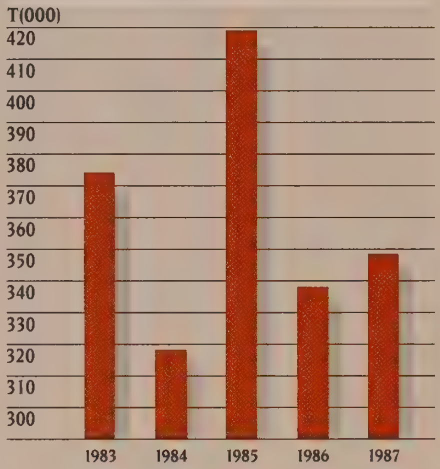
Total revenues were $109,000 compared to $421,000 in 1986. The 1987 operating loss was $574,000, a significant improvement over the 1986 operating loss of $1 million. The net loss was $159,000 compared to a net loss of $465,000 in 1986.

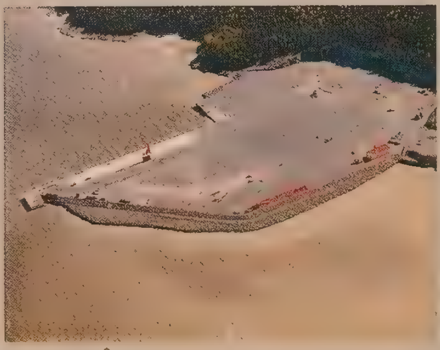
Port of Prescott

The primary function of the Port of Prescott, located 200 km west of Montréal on the St. Lawrence River, is the handling of grain through its 154,000-tonne elevator. Total grain traffic amounted to 265,000 tonnes, up from the 1986 figure of 235,000 tonnes. Overall port traffic increased 3 percent over the 1986 level of 338,000 to 349,000 tonnes. This included 77,000 tonnes of salt. Capital expenditures amounted to $384,000 including the replace-

Port of Prescott

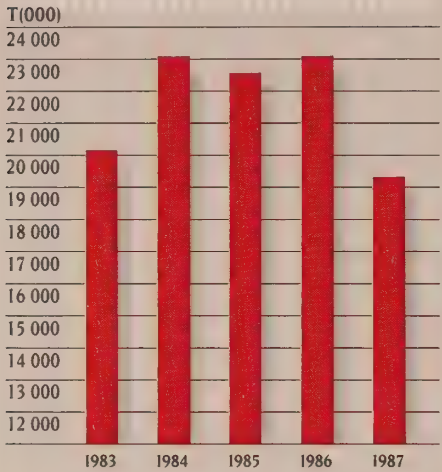
Total Traffic (Port of Prescott)





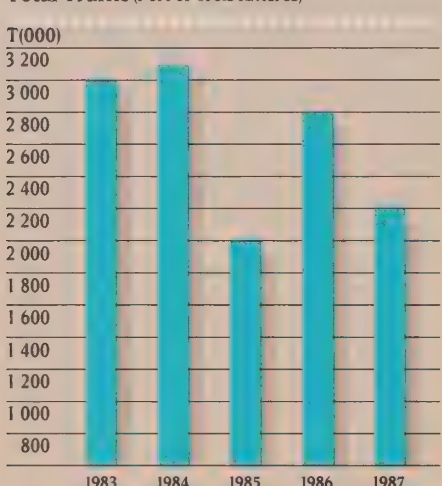
Port of Sept-Îles

Total Traffic (Port of Sept-Îles)




Port of Trois-Rivières

Total Traffic (Port of Trois-Rivières)



ment of five roof hoppers and repaving of the entrance roads.

Total revenues were $2.3 million compared to $2.7 million in 1986. Operating loss was $154,000, down from the 1986 operating income of $224,000. The 1987 net income was $1.3 million, down 32 percent from the 1986 net income of $1.9 million.

Port of Sept-Îles

The Port of Sept-Îles, located on the north shore of the St. Lawrence River, 650 km downstream from Québec City, serves the iron ore mining industry of Quebec and Labrador. Total port traffic decreased 16 percent from 23.1 million tonnes in 1986 to 19.3 million tonnes in 1987. This decrease was due primarily to a drop in the iron ore traffic of the Iron Ore Company and Wabush Mines from 21 million tonnes in 1986 to 18.4 million tonnes in 1987. For the first time in seven years, there was no ship-to-ship transfer of coal which accounted for 838,000 tonnes in 1986. The new Pointe-Noire terminal was operational and new traffic included bulk salt movements. Major repairs and renovations were undertaken at the Pointe-aux-Basques wharf.

Total revenues were $878,000 compared to $1.1 million in 1986. The 1987 operating loss was $271,000 compared with an operating loss of $63,000 in 1986. Net income fell to $91,000 from the 1986 level of $429,000.

Port of Trois-Rivières

The Port of Trois-Rivières, strategically located on the north shore of St. Lawrence, midway between Montréal and Québec City, handles a wide variety of cargoes including grain, forest products, mineral ores and petroleum products. Total port tonnage was 2.2 million tonnes compared to 2.8 million tonnes in 1986. The decrease was due primarily to a return to a more normal level of grain traffic, 1.8 million tonnes compared to 2.1 million tonnes in 1986. In that year, the port benefitted indirectly from the lockout at the Port of Québec and handled significant additional traffic. During the year, the port undertook the construction of a mooring dolphin at Section 20, providing the western sector of the port with more flexibility in handling vessels.

Total revenues amounted to $1.9 million compared to $2 million in 1986. Operating income was $173,000, almost identical to the 1986 figure of $175,000. The port had a net income of $993,000, a slight decrease from the 1986 net income of $1.1 million.

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1987 and the statements of income, surplus, contributed capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

Ottawa, Ontario
February 19, 1988

Balance Sheet as at December 31, 1987

(in thousands of dollars)

Assets	1987	1986
Current		
Cash	$ 351	$ 225
Investments (Note 3)	26,715	27,864
Accounts receivable	2,303	2,252
Due from Canada	1,940	458
Materials and supplies	338	352
	31,647	31,151
Investments (Note 3)	18,293	18,225
Investment in Ridley Terminals Inc. (Note 4)	7,465	11,459
Fixed assets (Note 6)	38,009	39,528
	$95,414	$100,363

Liabilities	1987	1986
Current		
Accounts payable and accrued liabilities (Note 7)	$ 3,268	$ 6,158
Grants in lieu of municipal taxes	542	491
	3,810	6,649
Accrued employee benefits	1,392	1,303
Loans from Canada (Note 8)	1,487	24,893
	2,879	26,196
Equity of Canada		
Contributed capital	73,638	55,896
Contribution to Canada (Note 10)	—	(5,589)
Surplus	15,087	17,211
	88,725	67,518
	$95,414	$100,363

On behalf of the Board

The Honourable A.R. Huntington
Chairman

Jean Michel Tessier
President and
Chief Executive Officer

Statement of Income

(in thousands of dollars)

for the year ended December 31, 1987	**1987**	1986
Revenue from operations	**$ 13,331**	$ 14,959
Operating and administrative expenses — net	**10,677**	11,510
Depreciation	**2,822**	2,877
Grants in lieu of municipal taxes	**1,202**	1,255
	14,701	15,642
Net loss from operations	**(1,370)**	(683)
Investment income	**4,368**	5,149
Interest expense	**(123)**	(128)
Net income before the undernoted items	**2,875**	4,338
Net loss of a port established as a local port corporation (Note 11)	**—**	(988)
Share in loss of Ridley Terminals Inc. (Note 4)	**(3,994)**	(5,090)
Net loss	**$ (1,119)**	$ (1,740)

Statement of Contributed Capital

(in thousands of dollars)

for the year ended December 31, 1987	**1987**	1986
Balance at beginning of the year	**$55,896**	$130,734
Contributed capital transferred to a local port corporation (Note 11)	**—**	(79,209)
Forgiveness of non-interest bearing loans and accrued interest (Note 8)	**23,331**	4,371
Contribution to Canada (Note 10)	**(5,589)**	—
Balance at end of the year	**$73,638**	$ 55,896

Statement of Surplus (Deficit)

(in thousands of dollars)

for the year ended December 31, 1987	**1987**	1986
Balance at beginning of the year		
As previously reported	**$16,889**	$(57,966)
Adjustment of prior year's share in loss of Ridley Terminals Inc. (Note 4)	**322**	322
As restated	**17,211**	(57,644)
Deficit transferred to a local port corporation (Note 11)	**—**	76,595
Net loss	**(1,119)**	(1,740)
Dividend to Canada	**(1,005)**	—
Balance at end of the year	**$15,087**	$ 17,211

Statement of Changes in Financial Position

for the year ended December 31, 1987	1987	1986
	(in thousands of dollars)	
Operating Activities		
Net loss	**$(1,119)**	$(1,740)
Items not affecting cash		
Depreciation	**2,822**	5,483
Share in loss of Ridley Terminals Inc.	**3,994**	5,090
Other	**95**	127
Increase in operating components of working capital	**(4,358)**	(2,727)
Cash provided by operating activities	**1,434**	6,233
Financing Activities		
Capital grants	**2,144**	12,993
Loans from Canada	**(75)**	(5,524)
Contribution to Canada	—	(26,694)
Dividend to Canada	**(1,005)**	—
Other	—	(175)
Cash provided (required) by financing activities	**1,064**	(19,400)
Investing Activities		
Additions to fixed assets	**3,517**	16,379
Proceeds on disposal of fixed assets	**4**	(187)
Cash required by investing activities	**3,521**	16,192
Decrease in cash and short-term investments	**(1,023)**	(29,359)
Cash and short-term investments at beginning of the year	**28,089**	62,381
Cash and short-term investments transferred to a local port corporation (Note 11)	—	(4,933)
Cash and short-term investments at end of the year	**$27,066**	$28,089

Notes to Financial Statements
December 31, 1987

1. Canada Ports Corporation Act
Canada Ports Corporation is established under the *Canada Ports Corporation Act*. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule C of the Financial Administration Act and is exempt from income tax.

2. Significant accounting policies
a) Financial statements
The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

b) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

c) Investment in Ridley Terminals Inc.
The investment in Ridley Terminals Inc. is accounted for on the equity basis.

d) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

e) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

f) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

g) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

h) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments
Investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1987, and 1986, the market value of the current investments approximates their amortized cost. At December 31, 1987, the market value of the long-term investments is $20,248,000 ($22,050,000 in 1986).

4. Investment in Ridley Terminals Inc. Ridley Terminals Inc. ("RTI") was incorporated on December 18, 1981, under the *Canada Business Corporations Act* for the purpose of constructing and operating coal terminal facilities on Ridley Island in Prince Rupert, British Columbia. RTI is exempt from income taxes.

RTI's throughput revenue is currently dependent upon the production of two coal producers. The coal producer who currently ships the larger tonnage through RTI's facilities has entered into a price arbitration process with its customers. The results of this arbitration process could have a significant economic impact on the coal producer, which in turn could affect the relations of RTI with this customer. The current carrying value of RTI's terminal facility is dependent on a viable level of coal throughput from its customers.

At December 31, 1987, the Corporation had acquired, at a cost of $23,021,400, 90% of the issued common shares ($900) and 100% of the Class A preference shares ($23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of $23,020,600, 10% of the issued common shares ($100) and 100% of the Class B preference shares ($23,020,500) of RTI.

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method in years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1987, was 50%. In years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

During the year, RTI has negotiated a reduction of $644,000 in the property tax assessments for 1985. The Corporation's deficit balance at January 1, 1986, has been adjusted accordingly by $322,000 representing the Corporation's 50% share of the amount received.

The investment in Ridley Terminals Inc. is composed of: (in thousands of dollars)

	1987	1986
Balance at beginning of the year	**$11,459**	$16,549
Share in loss	**(3,994)**	(5,090)
Balance at end of the year	**$ 7,465**	$11,459

A summary of the balance sheet of RTI as at December 31, 1987 as reported in its audited financial statements shows: (in thousands of dollars)

	1987	1986
Assets		
Current	**$ 1,786**	$ 4,285
Fixed	**219,245**	224,792
Other	**75**	83
	$221,106	$229,160
Liabilities		
Current	**$ 1,387**	$ 1,225
Long-term debt	**203,608**	203,835
	204,995	205,060
Equity	**16,111**	24,100
	$221,106	$229,160

RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) a construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on any bank loan is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently 1/2% per annum.

(b) a revolving credit loan agreement which provides an $80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1989 through January 31, 1992. Interest on the bank loans is at the bank's prime rate plus 1/4% per annum, payable monthly. The Bankers' Acceptance fee is currently 3/4% per annum.

This agreement is secured by a $350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease from the Prince Rupert Port Corporation.

As at December 31, 1987, drawings under these agreements were as follows:

	1987	1986
	(in thousands of dollars)	
(a) Construction credit loan agreement		
Bankers' acceptances, net of unamortized interest charges	**$198,625**	$197,940
(b) Revolving credit loan agreement —		
Bank loans	**1,000**	1,900
Bankers' acceptances, net of unamortized interest charges	**3,983**	3,995
	4,983	5,895
	$203,608	$203,835

Based on the amounts borrowed under the credit facilities as at December 31, 1987, annual principal repayments over the next five years amount to $625,000 in 1989, $1,625,000 in 1990, $6,862,500 in 1991 and $10,850,000 in 1992.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The annual dividend of 20% on the Class B preference shares is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profits taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates in the event that dividends accrued are not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1987, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

	1987	1986
	(in thousands of dollars)	
Class A preference shares held by Canada Ports Corporation	**$27,835**	$19,745
Class B preference shares held by Fednav Limited	**65,847**	46,567
	$93,682	$66,312

The results of operations of RTI for the year ended December 31, 1987, in comparison with the year ended December 31, 1986, are as follows:

	1987	1986
	(in thousands of dollars)	
Revenue from operations	**$27,625**	$ 28,793
Operating and administrative expenses	**11,736**	12,408
Depreciation	**6,530**	6,594
Interest expense	**17,348**	19,971
	35,614	38,973
Net loss	**$ (7,989)**	$ (10,180)

5. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority ("the Authority") is indebted in the amount of $14,041,000 (1986 — $14,153,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada has, in effect, guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of $964,000 (1986 — $971,000) have been similarly offset and do not appear in the statement of income.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of the Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1987, Transport Canada has not completed the transfer.

6. Fixed assets

a) Summary

(in thousands of dollars)

	1987				1986
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
Land	—	$ 4,419	$ —	$ 4,419	$ 5,591
Dredging	2.5-6.7	9,475	5,363	4,112	4,229
Berthing structures	2.5-10	34,261	16,258	18,003	17,293
Buildings	2.5-10	15,763	11,709	4,054	3,929
Utilities	3.3-10	2,741	1,210	1,531	1,602
Roads and surfaces	2.5-10	2,220	1,515	705	433
Machinery and equipment	5-100	18,659	14,450	4,209	5,042
Office furniture and equipment	20	2,590	2,270	320	412
Works under construction	—	656	—	656	997
		$90,784	$52,775	$38,009	$39,528

b) Capital grants
During the year, the Corporation received capital grants totalling $2,144,000 (1986—$12,993,000) towards the construction of capital projects.

c) Capital expenditure commitments
Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $476,000, of which most will be expended in the year ending December 31, 1988.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are deferred revenues for $144,000 (1986—$192,000) and current portion of long-term liabilities for $75,000 (1986—$70,000).

8. Loans from Canada

(in thousands of dollars)

	1987	1986
Loans bearing interest at 6.44% and 9.09% repayable in blended annual instalments of principal and interest of $193,000 and maturing on December 31, 2000	$1,562	$ 1,632
Less: current portion	(75)	(70)
	1,487	1,562
Non-interest bearing loans with indefinite due date	—	17,841
Accrued interest on loans not due and payable	—	5,490
	$1,487	$24,893

During the year, the non-interest bearing loans and the related accrued interest in the amount of $23,331,000 were forgiven by Canada. This amount has been credited to Contributed Capital.

In 1986, deferred interest of $4,371,000 on loans for the construction of terminal facilities at the Port of Saint John was forgiven and was treated as Contributed Capital.

Principal repayment requirements over the next five years amount to $75,000 in 1988, $81,000 in 1989, $87,000 in 1990, $93,000 in 1991 and $100,000 in 1992.

9. Contingencies

Claims aggregating approximately $1,131,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

10. Contribution to Canada

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $5,589,000 have been reclassified to Contributed Capital.

11. Local port corporation

At the closing of business on December 31, 1986, the Port of Saint John, New Brunswick was established as a local port corporation under the name of Saint John Port Corporation. In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to Saint John Port Corporation on that date at their carrying value in the accounts of the Corporation.

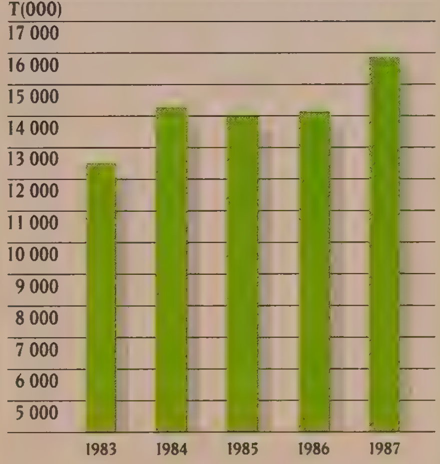
The statement of income of the Corporation includes the results of operations of the Port of Saint John for the year ended December 31, 1986.

Halifax Port Corporation

Performance Highlights

- Total cargo volume over HPC facilities registered another record year with an increase of 26% to 4.2 million tonnes.
- Container cargo over HPC facilities registered another record year with an increase of 23% to 2.8 million tonnes.
- Vessel gross registered tonnage at HPC facilities increased by 12% to 18.9 million tonnes.
- Passenger traffic attained record proportions with 59 calls carrying in excess of 24,000 passengers.
- Approval was obtained to proceed with a 50 meter berth extension at Pier C estimated to cost $5.4 million.

Total Traffic



Halifax Port Corporation

Joint message from the Chairman of the Board and the General Manager and Chief Executive Officer

In all respects, 1987 has been an outstanding year for the Port of Halifax. The port is a world class container port, serving over twenty shipping lines which are regular callers to the port. Halifax is becoming the Canadian base port for shipping lines serving almost every major continent in the world.

Competition among shipping lines, inland transportation systems and ports has been progressively more predominant in the transportation industry. Line rationalization programs have reduced costs for carriers, and therefore have benefitted importers and exporters. Ports are streamlining their operations, becoming more market driven, and offering price incentive schemes in an effort to maintain their market share of the available traffic.

As a result, ports must respond faster to the needs of their customers. Heavy demand on terminals has required more efficient cargo handling systems, faster turnaround cycles, improved labour productivity, and greater investment in terminal equipment and wharf infrastructure.

The Port of Halifax is meeting these challenges and is planning for greater growth in its traffic in the future. The Corporation's goal is to remain very efficient and to improve its position among world class ports.

Capital expenditures

Capital expenditures in 1987 totalled $1.4 million, of which $937,000 was expended in completing the Area 35 Roadway diversion, to enhance the operational efficiency of the Pier 29 terminal. The Pier "C" Berth Expansion project, at a cost of $5.4 million is planned for completion in October 1988, and will increase the length of the Pier "C" container terminal berth to more easily accommodate two large containerships simultaneously and therefore improve efficiency.

Over the past ten years, the port has invested $60 million in new and upgraded port facilities.

Donald A. Parker   David F. Bellefontaine

Cargo highlights

A record level of total harbour traffic was attained in 1987, at 15.8 million tonnes of cargo, up from the 14.1 million tonnes recorded in 1986. Imports of crude oil rose 10.1 percent to a level of 4.7 million tonnes, and imports and exports of refined oil increased by 8.6 percent to 3.8 million tonnes in 1987.

For the second consecutive year, container cargo reached a record in 1987; 2.8 million tonnes of containerized cargo was recorded, resulting in an increase of 23.3 percent over the 2.3 million tonnes in 1986. For the two year period 1986 and 1987, containerized cargo has increased by 42.9 percent.

Financial results

Revenue from operations amounted to $12.9 million, up from the $11.0 million in 1986 mainly due to the increase in cargo activity. Total expenses were $11.2 million, as compared to $9.5 million in 1986. Income from operations rose to $1.7 million, an increase of 8.6 percent from 1986. Net interest expense for the year was $0.02 million, compared to net interest expense of $0.1 million a year earlier. Net income was $1.7 million, an increase of $0.4 million from the preceding year.

The Corporation's working capital improved by $1.7 million during the year, of which $1.6 million represented an increase in short-term investments. The short-term investment account increased as a result of improved cash flow from operations during the year.

Personal contributions

The success of the Port of Halifax is attributed to the hard work and dedication of all those individuals and businesses which make the port a first class Canadian port. Port users, waterfront labour, and Corporation staff are sincerely thanked for their efforts over the past year; this teamwork will ensure the success of the port in the future.

The Corporation expresses its sincere gratitude to Raymond V. Beck, who retired as Chairman of the Halifax Port Corporation on January 5, 1988. Mr. Beck who has served the port in many capacities for over four decades, has made a substantial, lasting contribution to the Port of Halifax. His contributions will have a positive effect on the port for many years in the future.

Donald A. Parker
Chairman of the Board

David F. Bellefontaine
General Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1987, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Chartered Accountants

Halifax, Nova Scotia
February 3, 1988

Balance Sheet as at December 31, 1987

Assets	1987	1986
Current		
Cash	$ 227,232	$ 52,148
Investments (Note 3)	5,620,579	3,999,445
Accounts receivable	2,741,320	2,590,519
Materials and supplies	102,783	92,842
	8,691,914	6,734,954
Investments (Note 3)	33,300	33,195
Fixed (Note 4)	53,243,487	53,839,280
	$61,968,701	$60,607,429

Liabilities	1987	1986
Current		
Accounts payable and accrued liabilities	$ 911,350	$ 837,109
Grants in lieu of municipal taxes	201,002	32,702
Deferred revenues	892,851	858,106
Current portion of long term debt	303,688	276,080
	2,308,891	2,003,997
Accrued employee benefits	662,746	682,648
Loans from Canada (Note 5)	3,820,233	34,680,853
	6,791,870	37,367,498
Equity		
Contributed capital (Note 6)	53,796,865	72,136,346
Contribution to Canada (Note 6)		(1,920,000)
Surplus (deficit)	1,379,966	(46,976,415)
	55,176,831	23,239,931
	$61,968,701	$60,607,429

On behalf of the Board

Donald A. Parker
Chairman

David F. Bellefontaine
General Manager and
Chief Executive Officer

Statement of Income and Surplus

for the year ended December 31, 1987	1987	1986
Revenue from operations	$ 12,866,025	$ 11,037,012
Operating and administrative expenses	8,211,102	6,788,356
Depreciation	2,033,490	2,002,115
Grants in lieu of municipal taxes	907,200	668,352
	11,151,792	9,458,823
Income from operations	1,714,233	1,578,189
Investment income	418,840	361,937
Interest expense	(440,000)	(476,582)
Gain (loss) on disposal of fixed assets	3,778	(407,262)
	(17,382)	(521,907)
Net income before extraordinary item	1,696,851	1,056,282
Extraordinary item		
Gain on sale of land		249,000
Net income	1,696,851	1,305,282
Deficit, beginning of year	(46,976,415)	(48,281,697)
Deficit reduction (Note 6)	46,976,415	
	1,696,851	(46,976,415)
Dividend to Canada	316,885	
Surplus (deficit), end of year	$ 1,379,966	$(46,976,415)

Statement of Changes in Financial Position

for the year ended December 31, 1987	1987	1986
Operating activities		
Net income before extraordinary item	$ 1,696,851	$ 1,056,282
Depreciation	2,033,490	2,002,115
Other	(24,388)	437,762
Decrease (increase) in operating components of working capital	116,545	(3,997,423)
Cash provided by (applied to) operating activities	3,822,498	(501,264)
Financing activities		
Loans from Canada	(276,079)	4,123,920
Contribution to Canada		(1,920,000)
Dividend to Canada	(316,885)	
Cash provided by (applied to) financing activities	(592,964)	2,203,920
Investing activities		
Proceeds from sale of land		249,000
Additions to fixed assets	(1,443,777)	(2,080,510)
Other	10,461	355,179
Cash applied to investing activities	(1,433,316)	(1,476,331)
Increase in cash and short-term investments	1,796,218	226,325
Cash and short-term investments, beginning of year	4,051,593	3,825,268
Cash and short-term investments, end of year	$ 5,847,811	$ 4,051,593

Notes to Financial Statements
December 31, 1987

1. In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to the Halifax Port Corporation.

2. Significant accounting policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Insurance
Canada Ports Corporation assumes substantially all risks against fire and general perils, as well as worker compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

	1987		1986	
	Amortized Cost	**Face Value**	Amortized Cost	Face Value
Short term	**$5,620,579**	**$5,706,200**	$3,999,445	$4,045,400
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Long term	**$ 33,300**	**$ 32,342**	$ 33,195	$ 33,242

4. Fixed assets

	1987				1986
	Depreciation Rates (%)	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land		**$23,324,988**	**$**	**$23,324,988**	$23,324,979
Dredging	**2.5 – 6.7**	**2,596,947**	**2,227,834**	**369,113**	395,672
Berthing structures	**2.5 – 10**	**32,296,191**	**17,396,301**	**14,899,890**	15,351,283
Buildings	**2.5 – 10**	**17,229,911**	**11,115,912**	**6,113,999**	6,515,802
Utilities	**3.3 – 10**	**4,442,159**	**1,832,375**	**2,609,784**	2,750,137
Roads and surfaces	**2.5 – 10**	**7,426,910**	**3,689,886**	**3,737,024**	3,230,524
Machinery and equipment	**5 – 100**	**9,276,740**	**7,556,896**	**1,719,844**	1,840,976
Office furniture and equipment	**20**	**865,401**	**607,691**	**257,710**	301,249
Projects under construction		**211,135**		**211,135**	128,658
		$97,670,382	**$44,426,895**	**$53,243,487**	$53,839,280

5. Loans from Canada

	1987	1986
Non-interest bearing loan with indefinite due date	$	$25,555,762
Accrued interest on loans not due and payable		5,001,171
		30,556,933
10% loan maturing on December 31, 1996 repayable in blended annual principal and interest payments of $716,080	**4,123,920**	4,400,000
Less current portion repayable within one year	**303,687**	276,080
	3,820,233	4,123,920
	$3,820,233	$34,680,853

The loans from Canada are unsecured.

6. Contributed capital

	1987	1986
Balance at beginning of year	**$72,136,347**	$72,136,347
Forgiveness of non-interest bearing loans and related accrued interest (Note a)	**30,556,933**	
Contribution to Canada (Note b)	**(1,920,000)**	
Deficit reduction (Note c)	**(46,976,415)**	
Balance at end of year	**$53,796,865**	$72,136,347

a) During the year, the non-interest bearing loans and the related accrued interest in the amount of $30,556,933 were forgiven by Canada. This amount has been credited to Contributed Capital.

b) Contribution to Canada
Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,920,000 have been reclassified to Contributed Capital.

c) Equity of Canada
During the year, the Minister of Transport approved a reduction of the deficit as at January 1, 1987, in the amount of $46,976,415 with a corresponding reduction in Contributed Capital.

Board of Directors

Donald A. Parker
Chairman
President of various local companies
Dartmouth, N.S.

Paul M. Murphy, Q.C.
Vice-Chairman
Partner
Patterson Kitz
Halifax, N.S.

Gerald E. Simmons
Retired Shipping Executive
Former Chairman of Halifax Port Authority
Ottawa, Ontario

Florence R. Irwin
Partner
Canadian Annuity Quotations and Insurance Services Ltd.
Bedford, N.S.

Michael J. Proude
President
International Longshoremen's Association
Local 269
Dartmouth, N.S.

Lois A. Glibbery
Property Marketing Specialist
Royal LePage Real Estate Services Ltd.
Halifax, N.S.

Harald A. Norve
President
H. A. Norve & Associates Ltd.
Halifax, N.S.

Officers of the Corporation

Donald A. Parker
Chairman

Paul M. Murphy, Q.C.
Vice-Chairman

David F. Bellefontaine
General Manager and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Richard T. Pentland
Director of Engineering

Dennis W. Creamer
Director of Finance and Administration

Robert A. Kaye
Director of Marketing

Captain Claude L. Ball
Director of Operations/Harbour Master

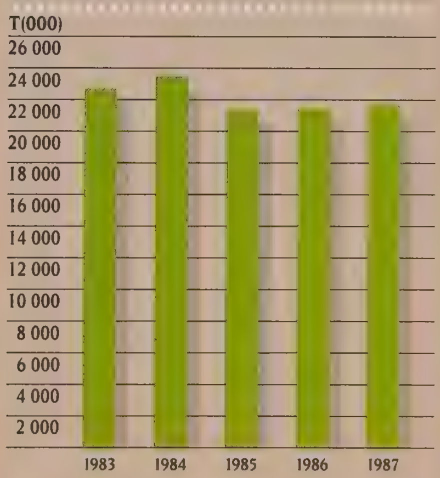
Peter J. MacKeigan
Chief Legal Officer

Montréal Port Corporation

Performance Highlights

- Total traffic climbed to 21.9 million tonnes, marking our fifth consecutive record year in container-handling.
- Up 11.9%, containerized traffic set two new records: 5.5 million tonnes and 574,522 containers (TEUs).
- General cargo traffic climbed to 6.7 million tonnes, a peak that accounts for over 30% of our total traffic.
- Our eighth year of positive financial results, with a net income of $15.4 million.
- Nearly $18 million allocated for expanding and improving facilities.

Total Traffic



Montréal Port Corporation

Joint message from the Chairman of the Board and the General Manager and Chief Executive Officer

Montréal, a major multifunctional world port and by far Canada's Number One Container Port, achieved results in 1987 that were not only satisfying but highly encouraging.

Total traffic, which rose to 21.9 million metric tonnes of a wide variety of goods, grew through a record volume of containerized cargo, a noticeable increase in petroleum-product shipments and a slight improvement in grain movements. Traffic in other dry and liquid bulk category declined in 1987.

General cargo

In the fiercely competitive market for containerized cargo, the Port of Montréal recorded an 11.9 percent increase which marked our fifth consecutive record-setting year.

For the first time ever, the port's container traffic reached 5.5 million tonnes after totalling 4.9 million in 1986. We handled a record number of 574,522 containers (TEUs), almost 43,000 more than in 1986. We posted gains in every market, and our traffic has grown at an average annual rate of 11.3 percent for the past five years.

As a result of our success in the field of containerized cargo, general-cargo traffic in 1987 reached an unprecedented level in the history of our port. It climbed by 10.8 percent, or some 600,000 tonnes, to 6.7 million tonnes.

This traffic, which also includes 1.2 million tonnes of breakbulk cargo, is clearly growing at the port. Over the past ten years, it has posted a net gain of 3.5 million tonnes.

Ronald Corey Dominic J. Taddeo

Bulk cargo

Grain shipments increased by 100,000 tonnes or 2.6 percent to 4.1 million tonnes in 1987. This traffic still remains below the levels it attained at the turn of the decade.

While the country as a whole performed well, despite the persistence in 1987 of generally difficult market conditions, and although the Port of Montréal is doing well compared to other grain-handling ports along the St. Lawrence, the fact remains that the growth in Asian markets gives western ports an edge.

Our grain traffic nonetheless remains important to us and we expect to see more activity in our export elevator, whose efficiency has been further enhanced with the addition of a new shipping gallery.

Petroleum-product shipments rose to 6.1 million tonnes from 5.7 million tonnes in 1986, an increase of 7.3 percent. A general increase in the volume of refined products more than offset the slump in crude-oil exports.

Finally, shipments of other dry and liquid bulk slipped from 5.8 million tonnes in 1986 to 5 million tonnes in 1987. This 15.5 percent decline is due to various factors beyond our control that particularly affected iron ore, potash, salt and sugar.

Highlights of the fiscal year

We are proud to submit positive financial results for the eighth consecutive year. In the fiscal year just ended, our revenue from operations totalled $59.8 million, net income rose to $15.4 million and capital expenditures amounted to $17.8 million.

Outlook

We have every reason to believe that 1988 will be even better than last year.

Because of our highly diversified traffic and outstanding performance in the containerized-goods market, we can look to the future with more confidence than ever. Our top priority remains improving and expanding our facilities to meet the steadily growing needs of our customers.

Our five-year plan for the years 1988-92 reflects capital expenditures in the order of $120 million. Half of this amount will be spent on increasing the capacity and efficiency of our container terminals and some $20 million will be deployed on upgrading and expanding our railway system.

If the Port of Montréal has enjoyed such tremendous success in an industry where fierce competition is the norm, it is largely due to the individual and team efforts made by everyone involved in port activity. To our employees as well as to our colleagues in the shipping industry, we extend our heartfelt gratitude.

Ronald Corey
Chairman of the Board

Dominic J. Taddeo
General Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the statements of income, contributed capital, contributions to Canada, retained earnings and changes in financial position of the Montréal Port Corporation for the fiscal year ended December 31, 1987 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the results of operations and the changes in the financial position of the Corporation for the year ended December 31, 1987 and its financial position at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements were, in all material respects, in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, the Letters Patent and by-laws of the Corporation.

Chartered Accountants

Montréal, Quebec
February 11, 1988

Balance Sheet as at December 31, 1987 (in thousands of dollars)

Assets	**1987**	1986
Current		
Cash	$ **632**	$ 567
Investments (note 3)	**36,025**	27,280
Accounts receivable	**10,596**	13,206
Materials and supplies	**859**	832
	48,112	41,885
Investments (note 3)	**39,395**	39,218
Fixed assets (note 4)	**139,489**	130,682
Other	**433**	459
	$ 227,429	$ 212,244
Liabilities		
Current		
Accounts payable and accrued liabilities (note 5)	$ **11,260**	$ 8,590
Dividends payable	—	4,136
Grants in lieu of municipal taxes	**5,000**	3,315
	16,260	16,041
Long-term		
Accrued employee benefits	**5,225**	5,283
Loans from Canada (note 6)	**6,968**	238,508
	12,193	243,791
Equity of Canada		
Contributed capital	**183,569**	19,243
Contribution to Canada (note 7)	—	(59,119)
Retained earnings (deficit)	**15,407**	(7,712)
	198,976	(47,588)
	$ 227,429	$ 212,244

On behalf of the Board

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and
Chief Executive Officer

Statement of Income

for the year ended December 31, 1987	1987	1986
	(in thousands of dollars)	
Revenue from operations	$ 59,770	$ 56,659
Operating and administrative expenses	38,530	39,690
Depreciation	8,926	7,254
Grants in lieu of municipal taxes	3,954	3,873
	51,410	50,817
Net income from operations	8,360	5,842
Investment income	7,529	8,446
Interest expense	(482)	(503)
	7,047	7,943
Net Income for the year	$ 15,407	$ 13,785

Statement of Contributed Capital

for the year ended December 31, 1987	1987	1986
	(in thousands of dollars)	
Balance at beginning	$ 19,243	$ 19,243
Forgiveness of loans (note 6)	231,157	—
Contributions to Canada (note 7)	(59,119)	—
Elimination of deficit (note 8)	(7,712)	—
Balance at end	$ 183,569	$ 19,243

Statement of Contributions to Canada

for the year ended December 31, 1987	1987	1986
	(in thousands of dollars)	
Balance at beginning	$ 59,119	$ —
Special contributions for the year	—	54,983
Dividend on net income for the year	—	4,136
Reclassification to contributed capital (note 7)	(59,119)	—
Balance at end	$ —	$ 59,119

Statement of Retained Earnings (Deficit)

(in thousands of dollars)

for the year ended December 31, 1987	1987	1986
Balance at beginning	$(7,712)	$(21,497)
Elimination of deficit (note 8)	7,712	—
Net income for the year	15,407	13,785
Balance at end	$ 15,407	$(7,712)

Statement of Changes in Financial Position

(in thousands of dollars)

for the year ended December 31, 1987	1987	1986
Inflow (Outflow) of cash related to the following activities:		
Operating		
Net income for the year	$ 15,407	$ 13,785
Items not affecting cash		
Depreciation	8,926	7,254
Other	360	871
	24,693	21,910
Changes in non-cash operating working capital balances	2,461	(3,175)
	27,154	18,735
Financing		
Repayment of current portion of loans from Canada	(361)	(339)
Contributions to Canada	—	(54,983)
	(361)	(55,322)
Investing		
Acquisition of long-term investments	(177)	(177)
Receipt of long-term receivables	26	93
Acquisition of fixed assets	(17,832)	(15,374)
	(17,983)	(15,458)
Increase (decrease) in cash	8,810	(52,045)
Cash at beginning	27,847	79,892
Cash at end	$ 36,657	$ 27,847

Cash comprises cash and current investments.

Notes to Financial Statements
for the year ended December 31, 1987

1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

2. Significant Accounting Policies

a) Fixed Assets and Depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

b) Pension Costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Grants in Lieu of Municipal Taxes
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act.* Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

d) Employee Benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

3. Investments
Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31, 1987, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is $42,636,000 ($46,246,000 in 1986).

4. Fixed assets

(in thousands of dollars)

	1987				1986
	Depreciation rates %	**Cost**	**Accumulated depreciation**	**Net Value**	Net Value
Land		$ 19,113	$ —	$ 19,113	$ 19,058
Dredging	2.5	15,825	12,087	3,738	3,823
Berthing structures	2.5	59,231	37,637	21,594	21,962
Buildings	2.5–10	67,734	29,151	38,583	32,827
Utilities	3.3–10	15,270	6,705	8,565	7,526
Roads and surfaces	2.5–10	38,908	12,008	26,900	20,375
Machinery and equipment	5–20	51,609	31,254	20,355	13,527
Office furniture and equipment	20	1,478	1,034	444	567
		269,168	129,876	139,292	119,665
Projects under construction		197	—	197	11,017
		$269,365	$129,876	$139,489	$130,682

5. Accounts Payable and Accrued Liabilities
Included in accounts payable and accrued liabilities are amounts for deferred revenues of $979,612 ($652,589 in 1986) and for the current portion of long-term liabilities of $383,111 ($360,576 in 1986).

6. Loans from Canada

	(in thousands of dollars) 1987	1986
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000	$ **7,351**	$ 7,712
Less: Current portion	**383**	361
	6,968	7,351
Non-interest bearing loans with indefinite due date	—	132,995
Accrued interest on loans not due nor payable	—	98,162
	$ **6,968**	$238,508

During the year, the non-interest bearing loans with indefinite due date and the related accrued interest in the amount of $231,157,000 were forgiven by Canada. This amount has been credited to Contributed Capital.

Principal repayment requirements over the next five years amount to:

1988	1989	1990	1991	1992
$383,112	$407,056	$432,497	$459,528	$488,249

7. Contributions to Canada

The dividend declared in 1986 and payments from excess cash made to Canada in the same year treated as Contributions to Canada in the amount of $59,119,000, have been reclassified to Contributed Capital.

8. Equity of Canada

During the year, the Minister of Transport has approved the elimination of the deficit as at January 1, 1987, in the amount of $7,712,000, with a corresponding reduction in Contributed Capital.

9. Contingencies

Claims aggregating approximately $6,318,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

10. Commitments

a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $1,500,000.

b) In accordance with a decision by the Government of Canada, the Corporation is required to issue a dividend, in respect of the 1987 fiscal year, set at 30% of net income and payable before March 31, 1988. This dividend would amount to $4,622,100 and would be applied against retained earnings.

11. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

Board of Directors

Ronald Corey *
Chairman
President, Montréal Canadiens Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Quebec

Bernard J. Finestone *
Vice-Chairman
President, Abbey-Finestone Inc.
Westmount, Quebec

Rosaire Archambault
President
Archambault Musique Inc.
Montréal, Quebec

Roger Bishop
Member, Local 375
International Longshoremen's Association
Brossard, Quebec

Raphaël Esposito
Esposito, Cocciardi, St-Onge & Beaulieu
Montréal, Quebec

André Gingras *
President
André Gingras et Associés Inc.
Westmount, Quebec

*Members of the Executive Committee

Officers of the Corporation

Ronald Corey
Chairman

Dominic J. Taddeo
General Manager and Chief Executive Officer

Yvan Simard
Deputy General Manager

Jean-Pierre Desjardins
Director of Planning and Development

Roger Dubé
Director of Finance and Administration

Captain Dea Hassib
Director of Operations

Jean Mongeau
Corporate Secretary

Chris Sampson
Director of Police and Security

Georges Tchoryk
Director of Human Resources

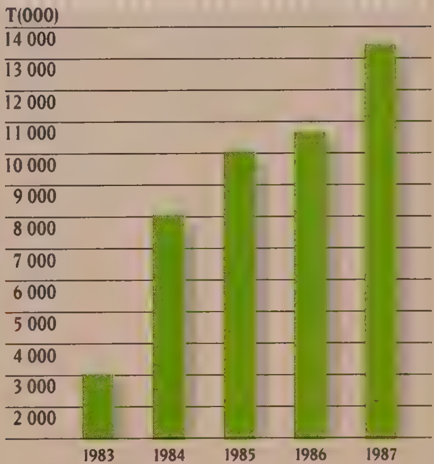
Frank Vannelli
Director of Marketing

Prince Rupert Port Corporation

Performance Highlights

- Total operating revenues increase by 31% to nearly $15 million for the first time — up to $14.9 million from $11.3 million.
- Total foreign tonnage was 13.4 million tonnes from 10.3 million, increase of 26%.
- Net income increased 65% to $4.3 million with cash flow up 33% to $5.0 million.
- The new grain terminal increased its shipping total to 4.8 million tonnes, up more than 150% over the previous year.
- Lumber traffic rose by 34% to 757,000 tonnes or 556 million FBM.

Total Traffic



Prince Rupert Port Corporation

Joint message from the Chairman of the Board and the General Manager and Chief Executive Officer

The Prince Rupert Port Corporation is pleased to present the favourable results of the port corporation's activity for 1987.

In 1987, the Port of Prince Rupert set a new record tonnage mark of 13.4 million tonnes — up 26 percent over the 1986 level of 10.7 million tonnes. Vessel traffic within the harbour increased from 1,556 to 1,613. The increase is attributable to improvement in several cargo categories but is primarily due to record throughput levels at the Prince Rupert Grain Terminal on Ridley Island. Grain tonnage at that facility increased by over 150 percent to 4.8 million tonnes. Coal shipments from the facility at Ridley Terminals Inc. were down marginally to 6.4 million tonnes.

The Corporation is particularly pleased to report significantly improved activity at the port owned Fairview general cargo terminal where throughput was up 32 percent to 997,500 tonnes. Leading the way was lumber up 34 percent to 757,234 tonnes (556 million FBM) followed by specialty grains which were up 32 percent to 191,499 tonnes.

The achievement in lumber shipments is particularly satisfying to the port corporation as it makes the sixth consecutive year that a record throughput has been achieved in that category. Lumber traffic has increased from a 1982 level of 174,000 tonnes (123 million FBM) to an excess of 750,000 tonnes (556 million FBM). This increase reflects the expanding offshore markets for lumber producers in the northern part of British Columbia.

Due to the call of an additional vessel, cruise ship passengers at the port increased by 104 percent to 9,118.

Allan T. Sheppard　　Robert W. Tytaneck

The favourable traffic results have translated directly into new financial records. Revenue from operations set a new high of $14.9 million as compared to $11.3 million in 1986. Net income for 1987 rose to $4.3 million, an increase of 65.4 percent over 1986 levels. The financial results can be attributed solely to improved cargo volume. In recognition of competitive world markets, the port has held the line on tariff schedules for 1987. As the port is poised at the beginning of a period of facility development, the improvement in financial position will significantly enhance the ability of the port to fund those projects from internal sources.

While the port traffic and financial results reflected a favourable year, there were considerable accomplishments at the port in a number of critical areas.

In 1987, the Prince Rupert Port Corporation and the Air Administration of Transport Canada shared equally in the $950,000 construction cost of a ferry ramp at Digby Island. This rock, steel, and concrete structure ensures safe and effective access to the Digby Island Airport which serves Prince Rupert and replaced an aging timber structure. The facility has been leased to the city for a nominal sum.

With the expiration of the terminal operator contract in 1987 at the port's Fairview Terminal, a major effort was made by the Board and the staff in the selection of a terminal operator. The Corporation was pleased to confirm the selection of Canadian Stevedoring Company Limited to a long-term contract.

In view of record volumes of throughput at the Fairview Terminal, the port increased its attention in 1987 to expansion of that facility. Specifically, the port examined in detail the market potential, the engineering aspects of expansion, and financial considerations. These effects culminated in the approval by the Canada Ports Corporation and the federal government of a $37.9 million expansion program which will add another berth to the existing two berths and create a 37 percent increase in open storage area.
This expansion will ensure that lumber producers in northern B.C. will continue to have an effective gateway to serve their growing markets.

The continued success of the port has been made possible by the commitment and dedication of the port staff, our customers, and the marine community to whom our appreciation is expressed. Despite the accomplishments of the past, the Corporation is dedicated to future development and traffic diversification as the long-term mechanism for success.

Allan T Sheppard

Allan T. Sheppard
Chairman of the Board

R W Tytaneck

Robert W. Tytaneck
General Manager and
Chief Executive Officer

Auditors' Report

The Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the Letters Patent and By-laws of the Corporation.

Chartered Accountants

Vancouver, British Columbia
January 28, 1988

Balance Sheet as at December 31, 1987

Assets	**1987**	1986 (restated)
Current assets		
Cash	**$ 50,506**	$ 63,752
Investments (note 1)	**11,847,375**	7,879,580
Accounts receivable	**950,357**	566,284
Due from Canada	**–**	63,937
Materials and supplies	**67,322**	79,928
	12,915,560	8,653,481
Property and equipment (note 2)	**71,312,750**	72,024,049
	$ 84,228,310	$ 80,677,530

Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued liabilities	**$ 546,908**	$ 527,763
Payable to Canada	**2,965**	–
Grants in lieu of municipal taxes	**368,140**	351,711
Deferred revenues	**162,216**	186,251
	1,080,229	1,065,725
Long-term debt		
Loans from Canada (note 3)	**–**	38,110,991
Recoverable contribution from Canada (note 4)	**48,300,000**	48,300,000
	48,300,000	86,410,991
	49,380,229	87,476,716
Equity of Canada (note 5)		
Contributed capital	**31,311,805**	678,275
Contribution to Canada	**–**	(1,289,136)
Retained earnings (deficit)	**3,536,276**	(6,188,325)
	34,848,081	(6,799,186)
	$84,228,310	$80,677,530

Approved by the Board

Allan T. Sheppard
Chairman

Robert W. Tytaneck
General Manager and
Chief Executive Officer

Statement of Income and Retained Earnings

for the year ended December 31, 1987	**1987**	1986
		(restated)
Revenue from operations	**$ 14,852,377**	$ 11,314,851
Expenses		
Operating and administrative	**9,776,591**	7,845,088
Depreciation (note 2)	**1,136,992**	1,244,666
Grants in lieu of municipal taxes	**405,538**	335,353
	11,319,121	9,425,107
Income from operations	**3,533,256**	1,889,744
Other income		
Interest income	**781,979**	591,603
Gain on disposal of property and equipment	**–**	115,182
	781,979	706,785
Net Income	**4,315,235**	2,596,529
Deficit at beginning of year		
As previously stated	**(5,838,325)**	(8,434,854)
Settlement of litigation (note 7)	**(350,000)**	(350,000)
As restated	**(6,188,325)**	(8,784,854)
	(1,873,090)	(6,188,325)
Deficit reduction (note 5)	**6,188,325**	–
	4,315,235	(6,188,325)
Dividend to Canada	**778,959**	–
Retained Earnings (Deficit) at end of year	**$ 3,536,276**	$ (6,188,325)

Statement of Changes in Financial Position

for the year ended December 31, 1987	1987	1986
Cash Provided by (used for):		
Operations		
Net income	**$ 4,315,235**	$ 2,596,529
Items not involving cash		
Depreciation	**1,136,992**	1,244,666
Gain on sale of property and equipment	**–**	(115,182)
	5,452,227	3,726,013
Changes in non-cash operating working capital		
Accounts receivable	**(384,073)**	63,915
Materials and supplies	**12,606**	8,164
Accounts payable and accrued liabilities	**19,145**	(204,583)
Grants in lieu of municipal taxes	**16,429**	(144,110)
Deferred revenues	**(24,035)**	(43,012)
	5,092,299	3,406,387
Financing		
Increase (decrease) in payable to Canada	**2,965**	(249,190)
Contribution to Canada	**–**	(1,289,136)
Increase in receivable from Canada	**–**	(63,937)
Recoverable contribution from Canada	**–**	(1,211,864)
Forgiveness of loans from Canada	**(38,110,991)**	–
Increase in contributed capital	**38,110,991**	–
Dividend to Canada	**(778,959)**	–
	(775,994)	(2,814,127)
Investments		
Proceeds from sale of property and equipment	**–**	119,300
Purchase of property and equipment (net of capital grants)	**(425,693)**	(57,878)
Decrease in receivable from Canada	**63,937**	–
	(361,756)	61,422
Increase in Cash Position	**3,954,549**	653,682
Cash position at beginning of year	**7,943,332**	7,289,650
Cash Position at end of year	**$11,897,881**	$ 7,943,332

Cash position is defined to include cash plus investments.

Notes to Financial Statements
Year Ended December 31, 1987

Local Port Corporation
The Prince Rupert Port Corporation ("the Corporation") was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act* ("the Act"). The Corporation is exempt from income taxes.

On June 1, 1984, pursuant to the Act, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of $678,275 and a deficit of $11,673,894. Accordingly, the financial statements are prepared as though the Prince Rupert Port Corporation had operated these facilities since their inception.

Summary of Significant Accounting Policies
a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Property and equipment
Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis using rates based on the estimated useful lives of the assets.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

1. Investments

	1987	1986
Amortized cost	$11,847,375	$7,879,580
Market value	$11,839,614	$7,855,119

2. Property and Equipment

a) Summary

	1987				1986
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
Land	–	$60,126,625	–	$60,126,625	$60,126,625
Dredging	2.5 – 6.7	5,177	$ 1,294	3,883	4,012
Berthing structures	2.5 – 10	8,693,098	2,779,026	5,914,072	6,156,854
Buildings	2.5 – 10	2,351,657	397,441	1,954,216	2,017,447
Utilities	3.3 – 10	2,597,237	1,187,689	1,409,548	1,517,320
Roads and surfaces	2.5 – 10	3,512,385	1,898,543	1,613,842	1,872,126
Machinery and equipment	5 – 10	1,697,882	1,445,429	252,453	270,585
Office furniture and equipment	20	153,583	115,472	38,111	59,080
		$79,137,644	$7,824,894	$71,312,750	$72,024,049

b) Depreciation

Depreciation consists of:

	1987	1986
Depreciation expense	$ 714,841	$ 926,760
Write-down of equipment	422,151	317,906
	$1,136,992	$1,244,666

3. Loans from Canada

	1987	1986
Non-interest bearing loans with indefinite due date	–	$ 27,084,979
Accrued interest on loans not due and payable	–	11,026,012
	–	$38,110,991

During the year, the non-interest bearing loans and the related accrued interest in the amount of $38,110,991 were forgiven by Canada. This amount has been credited to contributed capital. See note 5.

4. Recoverable Contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1987 was $48,300,000.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge.

5. Contributed Capital and Contribution to Canada

	Contributed capital	Contribution to Canada
Balance at beginning of year	$ 678,275	$(1,289,136)
Contribution to Canada	(1,289,136)	1,289,136
Forgiveness of non-interest bearing loans and related accrued interest	38,110,991	–
Deficit reduction	(6,188,325)	–
Balance at end of year	$31,311,805	

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,289,136 have been reclassified to Contributed Capital.

During the year, the Minister of Transport has approved a reduction of the deficit as at January 1, 1987, in the amount of $6,188,325 with a corresponding reduction in Contributed Capital.

6. Related Party Transactions

a) During the year, the Corporation received revenue of $1,112,764 (1986, $1,169,454) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1987, the Corporation was owed $100,290 by Ridley Terminals Inc. (1986, $7,169).

b) During the year the Corporation paid $434,784 (1986, $436,093) to Canada Ports Corporation as its share of that corporation's head office expense.

7. Prior Period Adjustment

During the year, the Corporation settled a lawsuit for $350,000 relating to a dispute over the settling of the Ridley Island rail embankment which was outstanding prior to January 1, 1986. Since the suit arose in a prior period, it was accounted for as a reduction of the opening balance of retained earnings and an increase in the accounts payable for that period.

Board of Directors

Allan T. Sheppard *
Chairman
Owner/Manager
Port Edward Marine Services
Prince Rupert, B.C.

Dolores D. MacIntosh *
Vice-Chairman
Property Manager
Prince Rupert, B.C.

John T. Payne */**
General Manager
Universal Stores Inc.
Prince Rupert, B.C.

John D. McNish **
Manager
Credit Bureau of Prince Rupert
Prince Rupert, B.C.

William B. Hick
Physician (Retired)
Prince Rupert, B.C.

Donald Seidel
Manager
Prince Rupert Motors Ltd.
Prince Rupert, B.C.

Ronald A. Ciccone
Agent
Mutual Like of Canada
Prince Rupert, B.C.

* Executive Committee
** Audit Committee

Officers of the Corporation

Allan T. Sheppard
Chairman

Robert W. Tytaneck
General Manager and Chief Executive Officer

Don H. Krusel
Manager, Finance and Administration

Joseph A. Stranan
Manager, Marketing and Planning

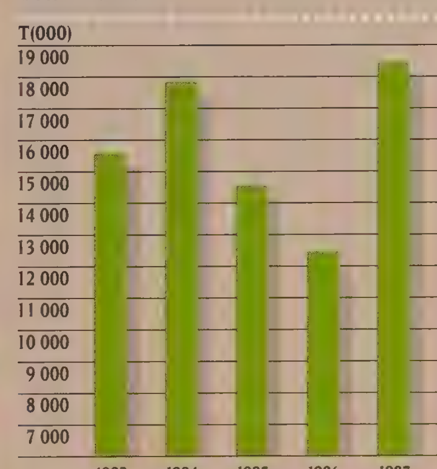
Captain Michael Gray
Manager, Operations/Harbour Master

Port of Québec Corporation

Performance Highlights

- A record 18.3 million tonnes of cargo handled in 1987.
- The South-Korean bulk carrier *Daeyang Honey* established a record draft of 15.65 metres;
- The Polish tanker *Zawrat* delivered 140,000 tonnes of crude oil to the Ultramar refinery, the largest single cargo in the history of the port.
- Construction began on a new $5 million phosphorus terminal.
- Gagnon and Boucher invested $1 million to increase storage capacity at its Anse au Foulon feed grain distribution terminal.

Total Traffic



Port of Québec Corporation


Guy Boulanger, f.c.a. Ross Gaudreault

Joint message from the Chairman of the Board and the General Manager and Chief Executive Officer

The Port of Québec's excellent commercial and financial performance in 1987 points to a promising future for the port corporation and entire maritime-related business community as they work together to provide competitive transportation services.

A natural transhipment centre between ocean and river navigation, the Port of Québec is well located to serve North America's industrial and agricultural heartland via the Great Lakes. Clients and users also capitalize on the port's 15 metres of water at low tide, intermodal transportation, including direct links to the CN and CP rail systems and year-round navigation.

While these transportation advantages are of key importance, close cooperation between the public and private sector has given Québec an edge in the face of intense competition prevailing within the port industry.

Record tonnage in 1987

The Port of Québec had its best year ever in 1987, as most sectors of activity were on the rise establishing a new record for overall tonnage.

Year-end statistics indicate that 18.3 million tonnes of cargo were handled at the port in 1987, surpassing the previous record of 18.1 million tonnes in 1981.

The 1987 figures also show a 46 percent increase over the 12.5 million tonnes of cargo handled in 1986, when a lock-out declared September 16th closed the port for the last quarter of the year. Following the settlement of the difficult labour dispute in February 1987, the port community vigorously rebounded as maritime employers and longshoremen worked together to attain a common goal and provide quality service to shippers.

The port's vocation as a bulk transhipment centre was once again highlighted in 1987.

Shipments of all major bulk commodities were on the rise including grain (6.3 million tonnes in 1987 compared to 3.1 million tonnes in 1986) and minerals (3.2 million tonnes, up from 1.5 million).

Two other records were broken at the Port of Québec in 1987. When the South Korean ore carrier *Daeyang Honey* called, it established a record 15.65 metre draft, while the Polish tanker *Zawrat* unloaded 140,000 tonnes of crude oil, the largest single shipment in the history of the port.

The volume of petroleum products, handled largely at the pier serving the Ultramar refinery at St. Romuald, a suburb of Québec City, increased in 1987 to 7.8 million tonnes, compared to 7 million in 1986.

Also in the category of liquid bulk cargos, Intertank Inc. began construction on a new $5 million phosphorus terminal at its tank farm located at the port's Beauport sector. When completed in mid 1988, the facility will handle approximately 20,000 tonnes of phosphorus per year.

The shipment of 3.7 million pounds of butter to Morocco by the Canadian Dairy Commission, a first at the Port of Québec, was a reminder that general cargo is an important aspect of port activity. Exports of newsprint, lumber and dairy products have a considerable economic impact.

The Port of Québec also welcomed 100 calls by cruise ships in 1987, which brought a record 33,500 passengers to the city, compared to 18,500 passengers in 1986.

Financial highlights

A brief summary of financial results for 1987 shows overall revenues of $12.4 million and a net income of $2.2 millions.

Traffic outlook

According to a study published by Ocean Shipping Consultants of London, more than eighty percent of bulk cargos such as iron ore, coal and grain are carried by vessels in the 100,000 dwt range. With its deep water berths, Québec is obviously well-positioned to capitalize on the growing use of deep draft ships in maritime trade.

The outlook for future development at the Port of Québec is promising. We will continue to pursue a strategy based on capacity to receive deep-draft vessels, increased handling speed and joint investment and marketing programs with private enterprise.

We are confident that maritime trade at Québec City will continue to grow through the dynamic marketing of the port's deep water and intermodal advantages and ongoing cooperation between the port administration and its partners in the private sector.

Guy Boulanger, f.c.a.
Chairman of the Board

Ross Gaudreault
General Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1987 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Port as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have been in all significant respects in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

Québec, Quebec
February 3, 1988

Balance Sheet as at December 31, 1987

Assets	1987	1986
Current assets		
Cash	$ 65,877	$ 297,030
Investments (note 1)	14,350,583	12,160,125
Accounts receivable	3,317,994	1,760,930
Materials and supplies	75,831	68,781
	17,810,285	14,286,866
Investments (note 1)	6,650,201	6,623,856
Property, Plant and equipment (note 2)	43,466,432	44,951,490
	$67,926,918	$65,862,212

Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,079,649	$ 2,050,841
Grants in lieu of municipal taxes	344,000	654,808
Deferred revenues	788,842	659,865
	3,212,491	3,365,514
Long term		
Accrued employee benefits	768,478	737,500
Equity of Canada (note 4)		
Contributed capital	61,759,198	107,251,631
Contribution to Canada (note 3)	–	(21,735,000)
Surplus (deficit)	2,186,751	(23,757,433)
	63,945,949	61,759,198
	$67,926,918	$65,862,212

On behalf of the Board

Guy Boulanger, f.c.a.
Chairman

Ross Gaudreault
General Manager and
Chief Executive Officer

Statement of Income

for the year ended December 31, 1987	1987	1986
Revenue from operations	$ 10,634,983	$ 7,962,545
Expenses		
Operating and administrative expenses	7,482,804	7,429,521
Depreciation	1,941,183	1,912,453
Grants in lieu of municipal taxes	806,713	1,024,639
	10,230,700	10,366,613
Income (loss) from operations	404,283	(2,404,068)
Investment income	1,786,580	2,417,773
Net income	$ 2,190,863	$ 13,705

Statement of Contributed Capital

for the year ended December 31, 1987	1987	1986
Balance at beginning of year	$ 107,251,631	$ 107,251,631
Contribution to Canada (note 3)	(21,735,000)	–
Reduction of deficit (note 4)	(23,757,433)	–
Balance at end of year	$ 61,759,198	$107,251,631

Statement of Surplus

for the year ended December 31, 1987	1987	1986
Deficit at beginning of year	$(23,757,433)	$(23,771,138)
Reduction of deficit (note 4)	23,757,433	–
Net income	2,190,863	13,705
Dividend to Canada	(4,112)	–
Surplus (deficit) at end of year	$ 2,186,751	$(23,757,433)

Statement of Changes in Financial Position

for the year ended December 31, 1987	1987	1986
Cash provided by (used for)		
Operations		
Net income	**$ 2,190,863**	$ 13,705
Items not affecting cash		
Amortization of discount on Canada Government bonds	**(26,345)**	(26,345)
Depreciation	**1,941,183**	1,912,453
Loss (gain) on disposal of property, plant and equipment	**30,394**	(105,184)
Accrued employee benefits	**30,978**	(53,500)
Changes in non-cash operating working capital (note 5)	**(1,717,137)**	1,132,387
	2,449,936	2,873,516
Investment		
Additions to property, plant and equipment	**(509,124)**	(2,178,038)
Proceeds on disposal of property, plant and equipment	**22,605**	112,261
	(486,519)	(2,065,777)
Financing		
Contributed capital	**(45,492,433)**	–
Contribution to Canada	**21,735,000**	(21,735,000)
Reduction of deficit	**23,757,433**	–
Dividend to Canada	**(4,112)**	–
	(4,112)	(21,735,000)
Increase (decrease) in cash position	**1,959,305**	(20,927,261)
Cash position at beginning of year	**12,457,155**	33,384,416
Cash position at end of year	**$ 14,416,460**	$ 12,457,155
Cash position is represented by:		
Cash	**$ 65,877**	$ 297,030
Investments	**14,350,583**	12,160,125
	$ 14,416,460	$ 12,457,155

Notes to Financial Statements
December 31, 1987

General
The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the *Canada Ports Corporation Act*

Summary of Significant Accounting Policies
a) Investments
Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

b) Property, plant and equipment
Property, plant and equipment are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related property, plant and equipment.

Depreciation is calculated using the straight line method, for an entire year, once the asset becomes operational using the following annual rates:

Dredging	2.5% – 6.7%
Berthing structures	2.5% – 10%
Buildings	2.5% – 10%
Utilities	3.3% – 10%
Roads and surfaces	2.5% – 10%
Machinery and equipment	5% – 20%
Office furniture and equipment	20%

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these claims are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
Every year the Corporation accounts for estimated liabilities relating to severance pay, annual leave, sick leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

1. Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1987		1986	
	Cost	Market Value	Cost	Market Value
Current	$14,350,583	$14,360,850	$12,160,125	$12,166,576
Long term	$ 6,650,201	$ 7,225,330	$ 6,623,856	$ 7,860,139

2. Property, Plant and Equipment

	1987			1986
	Cost	Accumulated depreciation	Net	Net
Land	$11,043,597	$ –	$11,043,597	$11,043,597
Dredging	4,561,341	3,923,247	638,094	666,155
Berthing structures	22,636,930	16,272,807	6,364,123	6,769,020
Buildings	33,361,182	13,415,999	19,945,183	20,764,089
Utilities	3,478,625	1,996,636	1,481,989	1,551,345
Roads and surfaces	5,866,792	3,194,719	2,672,073	3,014,971
Machinery and equipment	475,430	349,730	125,700	114,907
Office furniture and equipment	500,058	278,342	221,716	210,489
Projects under construction	973,957	–	973,957	816,917
	$82,897,912	$39,431,480	$43,466,432	$44,951,490

As at December 31, 1987, contractual obligations for the completion, construction and purchase of fixed assets are estimated at $40,000, most of which will be expended in the year ending December 31, 1988.

3. Contribution to Canada

The cash contribution of $21,735,000 paid to the Government of Canada in 1986 and presented as a contribution to Canada has been applied against the contributed capital amount in 1987.

4. Equity of Canada

In 1987, the Minister of Transport approved the elimination of the accumulated deficit to January 1, 1987 totaling $23,757,433, by reducing the contributed capital by the same amount.

5. Changes in non-cash operating working capital

	1987	1986
Accounts receivable	$(1,557,064)	$1,495,091
Materials and supplies	(7,050)	(8,408)
Accounts payable and accrued liabilities	28,808	(435,901)
Grants in lieu of municipal taxes	(310,808)	152,808
Deferred revenues	128,977	(71,203)
	$(1,717,137)	$1,132,387

6. Related Party Transactions

During the year, the Corporation entered into transactions with related entities comprising various ministry, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues from related entities totaling $1.2 million. Expenses paid to related parties mainly consist in management fees.

7. Contingencies

Claims aggregating approximately $1,400,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on the Corporation's property and various other matters in dispute. In the Corporation's view, its position is defensible and these claims should not result in any material losses.

In addition, claims for an estimated amount at $2,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

8. Subsequent Event

On December 23, 1987 a resolution from the Treasury Board approved to transfer, at no cost, the administration, management and control of certain lands currently managed by Société immobilière du Canada (Vieux-Port de Québec) Inc. The transfer of the assets and operations is effective January 1, 1988.

Board of Directors

Guy Boulanger, f.c.a. *
Chairman
Vice President
Mallette, Benoît, Boulanger, Rondeau & Ass.
Sainte-Foy, Que.

The Honourable Jean Marchand *
Vice-Chairman
Québec, Que.

Denise Rancourt-Bélanger
Lawyer
Lévis, Que.

Yvon Dolbec
President
Dolbec Y. Logistique International Inc.
Sainte-Foy, Que.

Claude Gagné
Sales Representative
Toshiba of Canada Ltd.
Vanier, Que.

Raymond Stuart McBain *
President
Ver-Mac Inc.
Sainte-Foy, Que.

Roméo Savard
Foreman
International Longshoremen's Association
Québec, Que.

* Members of the Executive Committee

Officers of the Corporation

Guy Boulanger, f.c.a.
Chairman

Ross Gaudreault
General Manager and Chief Executive Officer

Louis-Philippe Cormier
Director, Administration

Mario Bernard
Director, Finance

Yvon Bureau
Director, Real Estate

Marc Dulude
Director, Marketing

Serge Tremblay
Director, Operations

Jacques Brault
Director, Police and Security

Dave Johanson
Director, Promotion

Yvon Lambert
Director, Human Resources

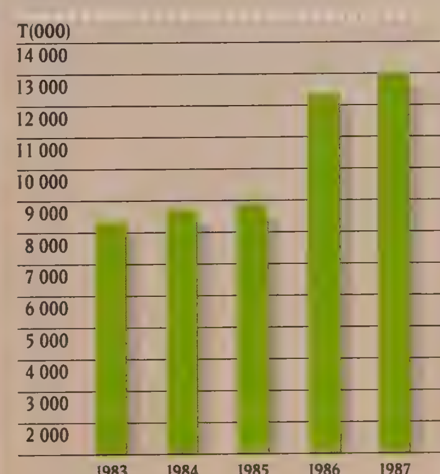
Gary Q. Ouellet
Corporate Secretary

Saint John Port Corporation

Performance Highlights

- Overall tonnage increases by 5% to 13 million tonnes.
- Potash shipments up 25% to 1.3 million tonnes.
- Major marketing study provides new strategic direction.
- Tariff incentives introduced for containerized traffic.

Total Traffic



Saint John Port Corporation

Joint message from the Chairman of the Board and the General Manager and Chief Executive Officer

For the Saint John Port Corporation, 1987 was a year marked with a number of important changes. The local port corporation completed its first full year with greatly increased autonomy for the operation and management of the port. New strategic direction was established and steps taken in 1987 to provide the basis for seizing new opportunities in the future.

Overall tonnage increased to 13 million tonnes which represents an increase of 6 percent over 1986. Petroleum shipments rose by over 900,000 tonnes to a total volume of 10 million tonnes. Significant increases were experienced in the shipment of potash through the Barrack Point Potash Terminal with tonnage growing by 25 percent to 1.2 million tonnes. Forest products shipments including commodities such as pulp, newsprint and lumber declined by 7 percent to 695,000 tonnes. Shipments of sugar through the Lantic Sugar Refinery showed a moderate increase to 275,000 tonnes. With the cessation of direct calls by the Japanese Shipping Lines, containerized traffic fell dramatically to 211,000 tonnes which represents a decline of 60 percent in this important traffic sector. Declines were also recorded in the shipment of grain through the elevator to a level of 215,000 tonnes. Also, salt shipments declined by approximately 15 percent.

A number of significant events highlight the changes that occurred in 1987. A major marketing study was completed which sets important new strategic direction for the port and provides guidance for the implementation of a new marketing program.

The Corporation demonstrated its interest in developing closer working relationships with shippers and producers throughout New Brunswick by holding a Board of Directors meeting in Caraquet, New Brunswick. An open forum for shippers was also held at the same time in the Acadian Peninsula and follow-up meetings were arranged with the shippers.

Harry P. Gaunce Kenneth R. Krauter

Changes were made to improve the operating efficiency of the Corporation. The size of the organization was reduced to achieve a leaner and more efficient operation. An incentive plan for containerized shipping lines was introduced and other tariff improvements made which resulted in the elimination and simplification of a number of tariffs.

In 1988, the Corporation will be working towards improving the utilization and profitability of port facilities as well as implementing a customer-oriented marketing strategy to increase port traffic. Key target areas to improve the utilization of port facilities will include greater emphasis on land use planning and the marketing and promotion of port properties.

A new marketing program will focus on existing and potential ocean carriers and shippers and the development of integrated transportation packages that meet customer needs by shipping through the Port of Saint John. This focussed marketing strategy will include increased market research and analysis, development of a new marketing team, and preparation of improved marketing tools, and direct sales calls and trade missions.

A restructuring of the Corporation's long-term debt in late 1986 resulted in a decline in interest expense, which continues to be a major cost element to the Corporation. Every effort will be made to effect further reductions in interest expenses.

The financial performance of the Corporation reflects the decline in container traffic along with the costs of re-organization. The Corporation is now poised to experience improved financial results, and confident that efforts to improve efficiency in conjunction with new marketing strategies will bring about renewed prosperity for the Port of Saint John.

On behalf of the Board of Directors, we would like to express our sincere appreciation and gratitude to the management and staff of the Corporation for their dedicated efforts in 1987. Our thanks are also extended to our customers and all members of the port community.

Harry P. Gaunce

Harry P. Gaunce
Chairman of the Board

K. R. Krauter

Kenneth R. Krauter
General Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1987, and the statements of loss, deficit, contributed capital and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

The financial statements for the preceding year were examined by other Chartered Accountants.

Chartered Accountants

Saint John, New Brunswick
February 12, 1988.

Balance Sheet as at December 31, 1987

(in thousands of dollars)

Assets	**1987**	1986
Current		
Cash	**$ 260**	$ 88
Investments (note 3)	**6,253**	4,845
Accounts receivable	**1,208**	2,070
Materials and supplies	**93**	129
	7,814	7,132
Long-term investments (note 3)	**952**	949
Fixed assets (note 4)	**82,734**	84,368
	$91,500	$ 92,449

Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued charges	**$ 3,044**	$ 1,567
Deferred revenues	**273**	217
Grants in lieu of municipal taxes		549
	3,317	2,333
Accrued employee benefits	**425**	483
Financing provided by a province (note 5)	**19,696**	19,696
Loans from Canada (note 6)	**20,052**	68,356
	43,490	90,868
Equity of Canada		
Contributed capital (note 7)	**49,372**	79,209
Contribution to Canada		(1,033)
Deficit	**(1,362)**	(76,595)
	48,010	1,581
	$91,500	$ 92,449

(See accompanying notes)

On behalf of the Board

Harry P. Gaunce
Chairman

Kenneth R. Krauter
General Manager and
Chief Executive Officer

Statement of Loss

(in thousands of dollars) (note 8)

for the year ended December 31, 1987	1987	1986
Revenues		
Harbour services	$ 4,056	$ 5,052
Rentals	4,912	5,080
Shipping services and other	1,181	1,430
	10,149	11,562
Expenses		
Salaries and employees' benefits	3,834	3,534
Purchased services	593	990
Energy and utilities	345	322
Operating and administrative	2,543	2,189
Grants in lieu of municipal taxes	54	801
Depreciation	2,659	2,606
Loss (gain) on disposal of fixed assets	(228)	63
	9,800	10,505
Income from operations	349	1,057
Investment income	702	1,268
Interest expense	(2,413)	(3,313)
	(1,711)	(2,045)
Net loss for the year	$ (1,362)	$ (988)

Statement of Contributed Capital

(in thousands of dollars) (note 8)

for the year ended December 31, 1987	1987	1986
Balance, beginning of year	$ 79,209	$74,838
Add: Forgiveness of non-interest bearing loans (note 7)	47,791	4,371
Less: Contribution to Canada (note 7)	127,000	79,209
Deficit reduction (note 7)	1,033	
Balance, end of year	76,595	
	$ 49,372	$79,209

Statement of Deficit

(in thousands of dollars) (note 8)

for the year ended December 31, 1987	1987	1986
Balance, beginning of year as previously reported	$76,595	$75,607
Deficit reduction (note 7)	76,595	
Balance, as restated	Nil	75,607
Net loss for the year	1,362	988
Balance, end of year	$ 1,362	$76,595

Statement of Cash Flows

for the year ended December 31, 1987

(in thousands of dollars)	1987	1986 (note 8)
Cash, provided by (used in):		
Operations:		
Net loss for the year	**$ (1,362)**	$ (988)
Add items not requiring a cash payment:		
Depreciation	**2,658**	2,606
Other	**(275)**	115
	1,021	1,733
Net change in non-cash working capital balances related to operations (note 9)	**1,882**	(575)
Cash provided by operations	**2,903**	1,158
Financing:		
Repayment of loans from Canada	**(512)**	(7,100)
Contribution to Canada		(1,033)
	(512)	(8,133)
Investing:		
Additions to fixed assets	**(1,039)**	(478)
Proceeds on disposal of fixed assets	**228**	2
	(811)	(476)
Increase (decrease) in cash and short-term investments during current year's activities	**1,580**	(7,451)
Cash and short-term investments, beginning of year	**4,933**	12,384
Cash and short-term investments, end of year	**$ 6,513**	$ 4,933

Notes to Financial Statements
December 31, 1987

1. Canada Ports Corporation Act and Incorporation
In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was established effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

2. Significant accounting policies
a) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Asset	**Depreciation Rates %**
Dredging	2.5 – 6.7
Berthing structures	2.5 – 10.0
Buildings	2.5 – 10.0
Utilities	3.3 – 10.0
Roads and surfaces	2.5 – 10.0
Machinery and equipment	5.0 – 100.0
Office furniture and equipment	20.00

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

d) Insurance
The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

f) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)

	1987		1986	
	Amortized Cost	**Face Value**	Amortized Cost	Face Value
Canada Treasury Bills	**$6,253**	**$6,479**	$4,845	$4,849
Canada Bonds	**$ 952**	**$1,000**	$ 949	$1,159

4. Fixed assets

Fixed assets consist of the following:

(in thousands of dollars)

	1987			1986
	Cost	**Accumulated depreciation**	**Net Book Value**	Net Book Value
Land	**$ 30,063**		**$30,063**	$30,063
Dredging	**1,967**	**$ 1,460**	**507**	525
Berthing structures	**63,655**	**26,336**	**37,319**	37,988
Buildings	**15,570**	**7,629**	**7,941**	8,366
Utilities	**7,651**	**3,077**	**4,574**	4,899
Roads and surfaces	**4,779**	**3,843**	**936**	1,195
Machinery and equipment	**1,897**	**1,616**	**281**	337
Office furniture and equipment	**775**	**515**	**260**	315
Work under construction	**853**		**853**	680
	$127,210	**$44,476**	**$82,734**	$84,368

5. Financing provided by a province
The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1987 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would increase by an estimated $777,000.

6. Loans from Canada

(in thousands of dollars)

	1987	1986
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	**$20,052**	$20,565
Non-interest bearing loans with indefinite due date		37,768
Accrued interest on loans not due and payable		10,023
	$20,052	$68,356

7. Contributed Capital
During the year, the non-interest bearing loans in the amount of $47,791,000 were forgiven by Canada. This amount has been credited to contributed capital.

Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,033,000, have been reclassified to contributed capital.

The Minister of Transport has approved a reduction of the deficit as at January 1, 1987 in the amount of $76,595,000 with a corresponding reduction in contributed capital.

8. Comparative figures
The comparative figures for the year ended December 31, 1986 shown on the statements of Loss, Contributed Capital, Deficit and Cash Flows are those of Canada Ports Corporation — Port of Saint John. The comparative figures have been reclassified to conform to the financial statement presentation adopted for 1987.

9. Net change in non-cash working capital balances related to operations

This consists of the following: (in thousands of dollars)

	1987	1986
Decrease (increase) in current assets:		
Accounts receivable	**$ 862**	$(213)
Materials and supplies	**36**	(3)
	898	(216)
Increase (decrease) in current liabilities:		
Accounts payable and accrued charges	**1,477**	(288)
Deferred revenues	**56**	(371)
Grants in lieu of municipal taxes	**(549)**	300
	984	(359)
	$1,882	$(575)

10. Related party transactions

During the year the Corporation paid $652,000 (1986 – $654,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

Board of Directors

Harry P. Gaunce
Chairman
President
Armstrong & Brùce Insurance, Limited
Saint John, N.B.

Henry Meinhardt
Vice-Chairman
President
Fundy Ventilation Limited
Saint John, N. B.

Fernand H. Lanteigne
Owner/General Manager
Les Chantiers Nord-Est Ltée
Société du câble de la Péninsule
Caraquet, N. B.

Edgar R. Cohen
Owner
Hoffman's Limited
Saint John, N. B.

David R. MacPherson
President and Business Manager
IBEW, Local 502
Saint John, N. B.

Joseph V. Streeter
Investment dealer
Dominion Securities Inc.
Saint John, N. B.

Shirley A. McAlary
Agent
Air Canada
Saint John, N. B.

Officers of the Corporation

Harry P. Gaunce
Chairman

Kenneth R. Krauter
General Manager and Chief Executive Officer

R. Adam McBride
Director of Finance and Administration

Garnet A. Phinney
Director of Engineering and Maintenance

Captain Cy E. Pringle
Director of Operations and Harbour Master

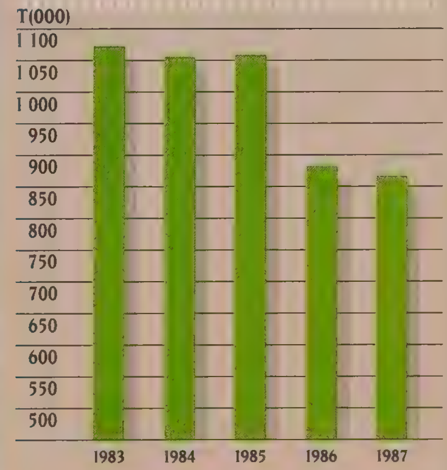
Ardith L. Bartlett
Corporate Secretary

St. John's Port Corporation

Performance Highlights

- 1,027 vessels with total gross registered tonnage of approximately 2.9 million tonnes, called at the port in 1987.
- 469,728 tonnes of cargo were handled at SJPC facilities, an 8% increase over 1986 figures.
- Containerized cargo at SJPC facilities was 309,004 tonnes, a total of 63,556 TEUs, a tonnage increase of 23% over 1986.
- Site Development and Resurfacing of the Main Terminal was substantially completed at approximately \$4.9 million.

Total Traffic



St. John's Port Corporation

Joint message from the Chairman of the Board and the Port Manager and Chief Executive Officer

The decline in vessel activity at the Port of St. John's reported for the year 1986 continued into 1987, as a direct result of reduced offshore oil exploration and the continued closure of Canadian ports to foreign fishing vessels.

The decline in these areas was offset by an increase in general cargo volume handled at the main container, ro-ro and general cargo terminal. As a result of this increase, operating revenues improved by $44,000 over 1986. Although the increase is minimal, just under 2 percent, we are pleased with this trend and optimistic that it will continue through 1988. Our optimism is shared by the two shipping companies operating at the Main Terminal. Atlantic Searoute Ltd. (ASL) operating from Halifax to Newfoundland recently introduced a new vessel to this service, increasing the capacity three times. Atlantic Container Express (ACE) operating from Montréal will double its capacity in early 1988. Indications are that general cargo volumes through the Main Terminal will meet previous projections. This is a very positive trend as the terminal is the major activity centre operation in the port.

Our net income for 1987 of $129,000 is $317,000 below budgeted net income of $446,000. This variance is attributable to the increased depreciation expense with the completion of the Main Terminal resurfacing pavement project which was advanced in our capital program to meet our tenant's operational requirements. The 1987 financial results are an indication of the St. John's Port Corporation's commitment to provide efficient and modern facilities capable of meeting the transportation needs of the St. John's and eastern Newfoundland area into the distant future.

Fred Milley David J. Fox

The Corporation has attained (and intends to enhance) its primary objective of self-sufficiency and is very pleased with the co-operation received from the Port Manager and staff in this area.

Total 1987 port cargo tonnage was just 19,000 tonnes below that of 1986 at 866,000 tonnes. Commercial vessels entering the port were down by some 7 percent at 1,027 versus 1,103 in 1986. The gradual erosion of the offshore oil industry off the east coast has resulted in a further decrease in vessel activities with only 210 arrivals in 1987, versus 324 arrivals in the previous year. This is in comparison to 629 arrivals in 1985. This downturn in the industry has a major negative rippling effect on a large number of direct/indirect small private businesses impacting directly on the economic and social business environment for our region.

Capital investment in 1988 will be less than 1987, as the major portion of the Reconstruction program at the Main Terminal has now been completed. A refendering project at the terminal is scheduled for 1988 and the Corporation will also be investigating the possibility of further land acquisition to facilitate traffic expansion in this operational area.

In 1988, the port will concentrate on completing its planned redevelopment works at its Main Terminal complex, while at the same time maintaining and developing other areas to complement present daily activities that will further benefit the day-to-day port customer and port user in these areas.

Phase I of a special development project to establish a facility for inshore fishermen operating out of the Port of St. John's is scheduled to commence in 1988. This project is under the Department of Fisheries and Oceans and even though the St. John's Port Corporation will not be involved, the facility will be a major asset in the overall operation of the port.

The Chairman, Board of Directors, and Port Manager take this opportunity to express sincere gratitude and appreciation to all employees of the Corporation, port companies, agencies, and port users for their collective cooperation in helping to make 1987 as successful a year as possible for the St. John's Port Corporation.

F. Milley

Fred Milley
Chairman of the Board

David J. Fox

David J. Fox
Port Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1987, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

St. John's, Newfoundland
February 22, 1988

Balance Sheet as at December 31, 1987

Assets	**1987**	1986
Current		
Cash	$ **83,548**	$ 25,118
Investments (Note 3)	**863,594**	2,988,103
Accounts receivable	**284,223**	295,148
	1,231,365	3,308,369
Investments (Note 3)		949,653
Fixed (Note 4)	**14,332,175**	10,139,334
	$15,563,540	$14,397,356
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **495,085**	$ 280,031
Grants in lieu of municipal taxes	**35,464**	100,690
Deferred revenues	**255,783**	171,418
Current portion of loans from Canada	**124,836**	56,833
	911,168	608,972
Accrued employee benefits	**87,764**	75,362
Loans from Canada (Note 5)	**2,332,784**	1,839,939
	3,331,716	2,524,273
Equity		
Contributed capital (Note 6)	**10,131,636**	9,749,318
Surplus	**2,100,188**	2,123,765
	12,231,824	11,873,083
	$15,563,540	$14,397,356

Contingencies (Note 7)

On behalf of the Board

Fred Milley
Chairman

David J. Fox
Port Manager and
Chief Executive Officer

Statement of Income and Surplus

for the year ended December 31, 1987	1987	1986
Revenue from operations	$ 2,433,220	$ 2,388,782
Operating and administrative expenses	1,527,745	1,501,052
Depreciation	808,049	561,936
Grants in lieu of municipal taxes	52,224	68,598
	2,388,018	2,131,586
Income from operations	45,202	257,196
Investment income – net	83,695	251,051
Net income	128,897	508,247
Surplus, beginning of year	2,123,765	1,615,518
	2,252,662	2,123,765
Dividend to Canada	152,474	
Surplus, end of year	$ 2,100,188	$ 2,123,765

Statement of Changes in Financial Position

for the year ended December 31, 1987	1987	1986
Cash provided from (used for)		
Operating activities		
Net income	$ 128,897	$ 508,247
Depreciation	808,049	561,936
Other non-cash items	7,938	(958)
	944,884	1,069,225
Changes in		
Accounts receivable	10,925	56,358
Accounts payable and accrued liabilities	215,054	(1,068,661)
Grants in lieu of municipal taxes	(65,226)	43,598
Deferred revenues	84,364	(54,766)
Current portion of loans from Canada	68,003	4,850
	1,258,004	50,604
Financing activities		
Loans from Canada	875,164	(56,834)
Contribution to Canada		(1,836,000)
Dividend to Canada	(152,474)	
	722,690	(1,892,834)
Investing activities		
Proceeds on disposition of investments	936,295	
Proceeds on disposal of fixed assets	57,900	5,100
Purchase of fixed assets	(5,040,968)	(766,351)
	(4,046,773)	(761,251)
Net cash used	(2,066,079)	(2,603,481)
Cash and short term investments, beginning of year	3,013,221	5,616,702
Cash and short term investments, end of year	$ 947,142	$ 3,013,221

Notes to Financial Statements
December 31, 1987

1. In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of St. John's to the St. John's Port Corporation.

2. Significant accounting policies

a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1987		1986	
	Amortized Cost	**Face Amount**	Amortized Cost	Face Amount
Short term	**$ 863,594**	**$ 897,300**	$2,988,103	$3,042,700
			Amortized Cost	Market Value
Long term			$ 949,653	$1,069,337

4. Fixed assets

	1987				1986
	Depreciation Rate %	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land		**$4,643,700**		**$4,643,700**	$3,370,578
Berthing structures	**2.5–10**	**8,046,748**	**$5,225,175**	**2,821,573**	2,811,656
Buildings	**2.5–10**	**1,611,606**	**1,190,200**	**421,406**	536,739
Utilities	**3.3–10**	**3,112,852**	**532,523**	**2,580,329**	2,580,055
Roads and surfaces	**2.5–10**	**4,143,950**	**557,444**	**3,586,506**	119,533
Machinery and equipment	**5–100**	**297,542**	**151,594**	**145,948**	95,168
Office furniture and equipment	**20**	**156,241**	**92,966**	**63,275**	44,187
Projects under construction		**69,438**		**69,438**	581,418
		$22,082,077	**$7,749,902**	**$14,332,175**	$10,139,334

5. Loans from Canada

	1987	1986
Loans, bearing interest at 9.33% and 10.15%, maturing in 1997 and 2000, payable in equal annual instalments of principal and interest of $360,982. The loans are unsecured.	**$2,457,620**	$1,514,453
Principal instalments payable within one year	**124,836**	56,833
	2,332,784	1,457,620
Accrued interest on loans		382,319
	$2,332,784	$1,839,939

During the year, accrued interest in the amount of $382,319 was forgiven by Canada. This amount has been credited to Contributed Capital.

Annual principal repayments in each of the next five years are as follows: 1988 – $124,836; 1989 – $136,913; 1990 – $150,159; 1991 – $164,689; 1992 – $180,627.

6. Contributed capital
Payments from excess cash made in 1986 to Canada and treated as Contribution to Canada in the amount of $1,836,000 have been reclassified to Contributed Capital.

7. Contingent liabilities
Claims aggregating approximately $5,000,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

In addition, claims aggregating approximately $150,000 have been received arising from quantity overruns on capital projects. The Corporation is disputing these claims and no material loss is anticipated.

Board of Directors

Fred Milley
Chairman
St. John's, Nfld.

Faith Good
Vice-Chairman
St. John's, Nfld.

Tom Osborne
Owner
Tom Osborne Real Estate
St. John's, Nfld.

Paul Reynolds
Motorist Trainer
Ultramar Canada Inc.
St. John's, Nfld.

Michael Walsh
General Chairman
Brotherhood of Railway and Airline Clerks
St. John's, Nfld.

Dermot Dobbin
President
BRADCO
St. John's, Nfld.

Art Puddister
Manager
Puddister Trading Co. Ltd.
St. John's, Nfld.

Officers of the Corporation

Fred Milley
Chairman

Faith Good
Vice-Chairman

David J. Fox
Port Manager and Chief Executive Officer

Allan W. Budden
Manager, Administration

Captain Hugh Peden
Harbour Master

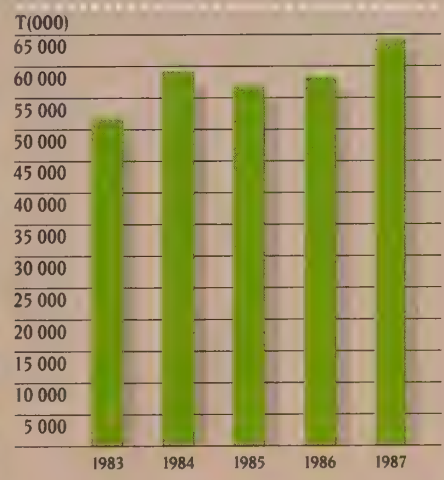
Keith F. Rose
Corporate Secretary

Vancouver Port Corporation

Performance Highlights

- Total port tonnage sets all time record at 64 million tonnes.
- Container clause abolished.
- Record tonnages achieved in grain and forest products.
- Two new state-of-the-art container cranes ordered.
- 26.1% increase in container traffic — a new port record.
- Best performance ever in cruise passenger volumes.

Total Traffic



Vancouver Port Corporation

Joint message from the Chairman of the Board and the Port Manager and Chief Executive Officer

Record setting across the full spectrum of port operations characterized the 1987 performance of the Vancouver Port Corporation.

Cargo trends abroad, and pivotal decisions at home furthered the re-shaping of the Corporation's priorities begun in 1983 under its new Board of Directors.

This year, the Board, and the men and women of the Corporation, delivered the policies and programmes that produced bottom line records in several key areas. It is from this strong foundation that the port's future; it's ability to expand — to improve — and to compete is anchored.

Record Tonnages

For the first time in its 124-year history, the Port of Vancouver handled over 63 million tonnes of cargo; a performance paced by traditional bulk commodities that, in themselves, showed some individual surprises.

Records were also achieved in key growth sectors. Container TEU traffic was up by 26.1 percent and cruise traffic surpassed the passenger record achieved during Expo year.

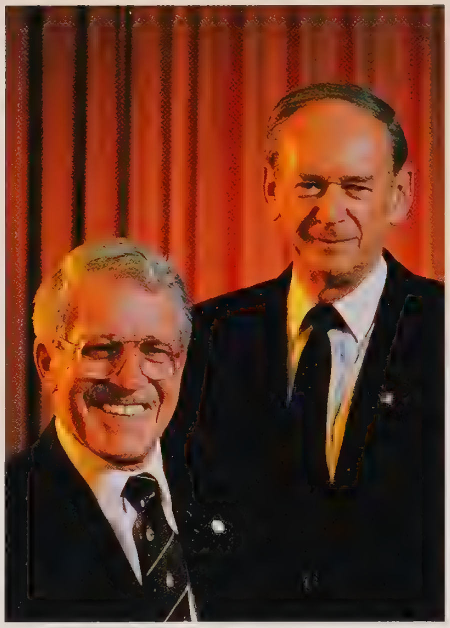
The port's major coal terminal at Roberts Bank handled its largest-ever ship; Korea's "Hyundai Giant", and its record 240,000 tonne shipment.

Behind the Statistics

Western Canada's resource base delivered record exports in forest products and grain. Potash shipments were up by 32.3 percent over 1986. With bulk commodities accounting for more than 86 percent of the port's total throughput, the dynamics of these exports are constantly monitored by the Corporation.

The Clause: Landmark Decision

Clearly, the most profound single event of the 1987 port year was the federal government's action to abolish the Container Clause from the collective agreement governing the Vancouver waterfront. The Corporation identifies this factor as a linch pin to the port's future as a full-service facility, and responded with the awarding of contracts to purchase two new state-of-the-art cranes; one each for its container terminals; Vanterm and Centerm.



Captain Hector D. Perry **Francis MacNaughton**

Backing this immediate capital investment was stepped-up feasibility planning for improved intermodal facilities, and expansion of container terminal facilities on Burrard Inlet.

Marketing Canada's Biggest Port

The Vancouver Port Corporation's commitment to proactive marketing initiatives expanded during 1987; emphasizing targets on the Pacific Rim.

During 1987, the Corporation undertook a container marketing mission to Japan and Korea. Cargo objective was the estimated 50,000 TEUs of CKD containers that will come on stream from overseas automakers over the next four years. The Corporation's marketing strategy stressed a "Team Approach", and included both national railways, and the operators of VPC's two container terminals.

Showing a record throughput of 280,777 TEUs, the 1987 container performance reflects the first full year of operation for the two competing terminals operating under long-term service contracts with VPC.

The port's cruise business was another strong finisher and presents good growth prospects into the new season.

Reinforcing its competitive commitment, the Corporation held the line on port charges for the fourth consecutive year; not raising tariffs in any cargo sector.

Communicating: The Essential Outreach

The Corporation strengthened its communications initiatives to its several "stakeholders" in the port community. The creation of PEDAC (Port Economic Development Advisory Committee) now invites input from municipalities, labour, employer, transport and general business sectors. A record turn-out of nearly 10,000 people marked Port Day 87, the Schools Programme expanded, and VPC representatives were active on local business committees and as guest speakers.

Looking to the future, the Vancouver Port Corporation notes most seriously the imperative for a waterfront labour climate characterized by contemporary skills, pride, productivity, and stability. We recognize the opportunity — indeed the obligation of the Corporation to offer initiatives and assistance to our port community to ensure this climate gains credence, and flourishes into the next decades.

Captain Hector D. Perry
Chairman of the Board

Francis MacNaughton
Port Manager and
Chief Executive Officer

Auditors' Report

To the Honourable John Crosbie, P.C., M.P.
Minister of Transport

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1987, and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part XII of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

Vancouver, British Columbia
February 17, 1988

Balance Sheet as at December 31, 1987

(in thousands of dollars)

Assets	**1987**	1986
Current Assets		
Cash	$ 527	$ 306
Investments (note 3)	54,518	39,107
Accounts receivable	6,870	5,170
Materials and supplies	306	236
	62,221	44,819
Long-term receivables (note 4)	7,519	7,902
Property and equipment (note 5)	181,751	184,187
	$251,491	$236,908

Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,367	$ 3,599
Grants in lieu of municipal taxes	5,979	5,187
Deferred revenues	2,550	2,781
	10,896	11,567
Accrued employee benefits	1,169	1,106
Loans from Canada (note 6)	3,949	108,019
	16,014	120,692
Equity of Canada		
Contributed capital (note 9)	88,273	7,733
Contribution to Canada (note 9)	—	(23,331)
Retained earnings	147,204	131,814
	235,477	116,216
	$251,491	$236,908

Commitments (note 8)

On behalf of the Board

Hector D. Perry
Chairman

Rodney A. Snow
Director

Statement of Income and Retained Earnings (in thousands of dollars)

for the year ended December 31, 1987	1987	1986
Operating revenue, gross	$ 46,657	$ 78,541
Less service contractors	—	34,541
Operating revenue, net (note 7)	46,657	44,000
Operating and administrative expenses	17,715	18,147
Grants in lieu of municipal taxes	5,133	5,097
Depreciation	6,352	6,225
	29,200	29,469
Income from operations	17,457	14,531
Investment income	4,074	5,192
Interest expense on loans from Canada	(325)	(338)
	3,749	4,854
Income before unusual item	21,206	19,385
Adjustment of grants in lieu of municipal taxes	—	1,200
Net Income	21,206	20,585
Retained earnings at beginning of year	131,814	111,229
	153,020	131,814
Less cash payment to Canada	5,816	—
Retained earnings at end of year	$147,204	$131,814

Statement of Changes in Cash Resources (in thousands of dollars

for the year ended December 31, 1987	1987	1986
Cash provided by (used for):		
Operating activities		
Net income	$21,206	$20,585
Items not involving cash		
Depreciation	6,352	6,225
Other	111	(1,555)
Changes in non-cash components of working capital	(2,441)	2,089
	25,228	27,344
Financing activities		
Capital grants	—	499
Loans from Canada currently payable	(199)	(185)
Contribution to Canada	—	(23,331)
Cash payment to Canada	(5,816)	—
	(6,015)	(23,017)
Investment activities		
Additions to property and equipment	(4,007)	(13,375)
Sale of Canada Bonds	—	10,897
Other	426	423
	(3,581)	(2,055)
Increase in cash resources	15,632	2,272
Cash resources at beginning of year	39,413	37,141
Cash resources at end of year	$55,045	$39,413

Cash resources are defined to include cash and investments.

Notes to Financial Statements
year ended December 31, 1987

1. General
The Vancouver Port Corporation (the Corporation) was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent crown corporation named in Schedule C, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and administer the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the *Canada Ports Corporation Act*.

2. Summary of Significant Accounting Policies
These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

a) Property and equipment
Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

b) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

c) Insurance
The Corporation assumes substantially all risks against fire and property damage, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

d) Grants in lieu of municipal taxes
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

e) Employee benefits
The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

3. Investments
Current investments are in Government of Canada treasury bills and at December 31, 1987 and 1986 the market value of the treasury bills approximated carrying value.

4. Long-term Receivables (in thousands of dollars)

	1987	1986
Non-interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	$3,947	$3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6⅝% per annum, payable in blended annual instalments of $462,916 maturing December 31, 1996	3,065	3,309
Less current portion	(260)	(244)
	2,805	3,065
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5¾% per annum, payable in annual instalments of $117,720 plus interest maturing August 1, 1994	824	942
Less current portion	(118)	(118)
	706	824
Other	61	66
	$7,519	$7,902

5. Property and Equipment (in thousands of dollars)

	1987			1986
	Cost	Accumulated depreciation	Net	Net
Land	$ 76,403	$ —	$ 76,403	$ 76,291
Dredging	366	178	188	200
Berthing structures	51,416	23,107	28,309	29,314
Buildings	43,801	9,909	33,892	34,893
Utilities	13,334	5,298	8,036	7,727
Roads and surfaces	30,619	15,435	15,184	15,379
Machinery and equipment	26,136	9,048	17,088	17,967
Office furniture and equipment	2,311	1,536	775	157
Projects under construction	1,876	—	1,876	2,259
	$246,262	$64,511	$181,751	$184,187

6. Loans from Canada

(in thousands of dollars)	1987	1986
Interest-bearing loan at 7.5% repayable in blended annual instalments maturing December 31, 2000	**$4,148**	$ 4,333
Less current portion	**(199)**	(185)
	3,949	4,148
Non-interest-bearing loan with an indefinite due date	—	76,494
Accrued interest not due and payable	—	27,377
	$3,949	$108,019

During the year, the non-interest-bearing loan and the related accrued interest in the amount of $103,871,000 were forgiven by Canada. This amount has been credited to contributed capital (see note 9).

Principal repayment requirements over the next five years amount to $199,000 in 1988, $214,000 in 1989, $230,000 in 1990, $248,000 in 1991 and $266,000 in 1992.

7. Operating Revenue, Net

The Corporation entered into new Terminal Services contracts during 1986 for terminals operated by the Corporation. Under the old contracts all revenues generated on these terminals were recorded by the Corporation as operating revenue with payments for the services of the service contractors recorded as operating expense. Under the new contracts revenues now accruing directly to the service contractors are not shown as revenue or expense in the Corporation's financial statements.

8. Commitments

At December 31, 1987 the estimated cost of completing all approved capital projects was $40 million of which the Corporation had contractual obligations at that date for $14.1 million.

The Corporation has long-term lease obligations of varying durations to 1991 for office accommodation aggregating $2,396,000 with annual payments in each of the four years of: 1988, $741,000; 1989, $662,000; 1990, $662,000; and 1991, $331,000.

9. Contributed Capital

Payments made in 1986 to Canada and treated as contribution to Canada in the amount of $23,331,000 have been reclassified to contributed capital, the balance of which is now made up as follows:

(in thousands of dollars)	Contributed capital	Contribution to Canada
Balance at beginning of year	$ 7,733	$(23,331)
Forgiveness of non-interest-bearing loans and related accrued interest (note 6)	103,871	—
Reclassification of contribution to Canada	(23,331)	23,331
Balance at end of year	$88,273	$ —

10. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In addition to the loans from Canada disclosed in note 6, the Corporation paid $1,594,000 (1986, $1,599,000) to Canada Ports Corporation as its share of that corporation's operating expenses and paid $5,815,500 to Canada as a cash payment in the current year. The Corporation has been requested to consider making a cash payment of 30% of 1987 net income, payable to Canada by March 31, 1988.

Board of Directors

Captain Hector D. Perry
Chairman
Ganges, B.C.

Jane E. Frost **/°/°°
Vice-Chairman
Vancouver, B.C.

Norman G. Cunningham */°
Vancouver, B.C.

Laurie G. Maranda */**/°°
Vice President
Choukalos, Woodburn, McKenzie, Maranda Ltd., Consulting Engineers
Vancouver, B.C.

Richard I. Nelson **/°
Vancouver, B.C.

Gary C. H. Short
Vancouver, B.C.

Rodney A. Snow */°°
Barrister and Solicitor
Davis & Co.
Vancouver, B.C.

* Member, Audit Committee
** Member, Planning and Budgeting Committee
° Member, Executive Committee
°° Member, Economic Development & Community Relations Committee

Officers of the Corporation

Captain Hector D. Perry
Chairman

Francis J. MacNaughton
Port Manager and Chief Executive Officer

Captain Norman C. Stark
Assistant Port Manager

Philip L. Clark
General Counsel and Corporate Secretary

Donald G. Buggie
Director, Finance

Corporate Directory

Board of Directors

The Honourable A.R. Huntington
Chairman
Ottawa, Ont.

William Marsh
Vice-Chairman
River Ryan
Cape Breton, N.S.

Jean Michel Tessier
President and Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

Dr. John Balkwill
Kanata, Ont.

Raymond V. Beck
Halifax, N.S.

Ronald Corey
Chairman, Montréal Port Corporation
President, Montréal Canadian Hockey Club Inc.
President, Montréal Forum Inc.
Montréal, Que.

Robert Dowling
President, Cavell Drugs Ltd.
Jasper, Alta.

Brian Keple
President
Regina Cartage & Storage
Regina, Sask.

Richard K. Lester
Manager, Vancouver Office
Parrish & Heimbecker Limited
Vancouver, B.C.

A.R. "Sandy" MacLean
Principal
Dalhousie Regional High School
Dalhousie, N.B.

C. Peter MacLean
Vice President
J.W. MacDonald & Company Ltd.
New Glasgow, N.S.

The Honourable Jean Marchand
Vice-Chairman
Port of Québec Corporation
Québec, Que.

Arnold E. Masters
President
Maritime Employers Association
Montréal, Que.

Captain H.D. Perry
Chairman
Vancouver Port Corporation
Ganges, B.C.

James B. Powers
President and General Manager
Labrador Construction Company Limited
St. John's, Nfld.

Wallace S. Turnbull, Q.C.
Partner
Clark, Drummie & Company
Saint John, N.B.

Robert H. Vandewater
Vice President and Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

Officers of the Corporation

The Honourable A.R. Huntington
Chairman

William Marsh
Vice-Chairman

Jean Michel Tessier
President and Chief Executive Officer

Hassan J. Ansary
Vice President, Corporate Services

Camille A. Guérin
Vice President, Finance and Administration

T.A. Lauzon
Vice President, Divisional Ports

Ted Ciunyk
Director General, Police & Security

Thomas E. Gallagher
Director, Senior Counsel
Common Law

Pierre Woods
Director, Senior Counsel
Civil Law

Roza Aronovitch
Corporate Secretary

Executive Committee

Chairman:	The Honourable A.R. Huntington
Vice-Chairman:	William Marsh
Members:	Dr. John Balkwill
	Ronald Corey
	Brian Keple
	Jean Michel Tessier
	Robert H. Vandewater

Audit Committee

Chairman:	Robert H. Vandewater
Members:	Ronald Corey
	A.R. "Sandy" MacLean
	C. Peter MacLean
	James B. Powers

Corporate Planning and Budget Committee

Chairman:	James B. Powers
Members:	Robert Dowling
	Richard K. Lester
	Arnold E. Masters
	Wallace S. Turnbull

Police Committee

Chairman:	Brian Keple
Members:	Raymond V. Beck
	D. Cassidy (Member at large)
	The Honourable K.A. Flanigan (Member at large)
	The Honourable A.R. Huntington
	The Honourable Jean Marchand
	Jean Michel Tessier

Mailing Addresses

Local Port Corporations

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel.: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Que.
H3C 3R5
Tel.: (514) 283-7042

Prince Rupert Port Corporation
110-3rd Avenue W.
Prince Rupert, B.C.
V8J 1K8
Tel.: (604) 627-7545

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Que.
G1K 7P7
Tel.: (418) 648-3558

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Stn. A
Saint John, N.B.
E2L 4R8
Tel.: (506) 648-4869

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's, Nfld.
A1C 5X8
Tel.: (709) 772-4582

Vancouver Port Corporation
1900-200 Granville Square
Vancouver, B.C.
V6C 2P9
Tel.: (604) 666-8978

Canada Ports Corporation

Port of Belledune
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel.: (613) 957-6787

Ports of Chicoutimi/Baie des Ha! Ha!
Lafontaine Street
P.O. Box 760
Chicoutimi, Que.
G7H 5E1
Tel.: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Man.
R0B 0E0
Tel.: (204) 675-8823

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel.: (613) 957-6787

Port of Prescott
River Road East
P.O. Box 520
Prescott, Ont.
K0E 1T0
Tel.: (613) 925-4228

Port of Sept-Îles
421 Arnaud Street
P.O. Box 280
Sept-Îles, Que.
G4R 4K5
Tel.: (418) 968-1231

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières, Que.
G9A 5K2
Tel.: (819) 378-3939

National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel.: (613) 957-6787